Financial Summary and Budgetary Review 1983-84

Alberta
TREASURY

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Financial Summary
and
Budgetary Review
1983-84

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TREASURY

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TREASURY

Hon. Lou Hyndman
Provincial Treasurer

A.D. O'Brien
Deputy Provincial Treasurer
Management and Control

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Further information or additional copies of this annual report may be obtained by writing:
302 Terrace Building
9515 - 107 Street
EDMONTON, Alberta
T5K 2C3

Provincial Treasurer's Report

This "Financial Summary and Budgetary Review" for the Government of Alberta covers the fiscal year from April 1, 1983 to March 31, 1984. It reviews the general state of the economy in 1983 and reports on the operations of the General Revenue Fund, the Alberta Heritage Savings Trust Fund, Crown corporations, agencies and regulated funds.

This report provides a general understanding of the government's financial position. Readers who require more detailed information are encouraged to refer to the provincial Public Accounts.

In preparing the 1983 Budget, the government recognized that many Alberta families and businesses faced budget restraints and had to trim back. We realized the government must not be out of step with the realities facing our citizens so we introduced a "hold-the-line" budget in March, 1983 which:

- stressed a responsible approach to financial management, spearheaded by a sharp reduction in the growth rate of government expenditure;
- sustained the initiatives of the Alberta Economic Resurgence Plan and supplemented them with programs geared towards helping the private sector market Alberta products both at home and abroad;
- maintained the high quality health, education, social, cultural and recreational services enjoyed by Albertans; and
- supported job training and retraining especially for young Albertans who wished to upgrade their abilities and skills.

Through the "hold-the-line" approach, growth in budgetary expenditure was reduced to 2.3% in 1983-84, well below the original budget target of 7.5% and the inflation rate of 5.2%. This convincingly demonstrates our commitment to effective expenditure restraint, departmental efficiency and all-round good management of public funds. Notably, this dramatic reduction in government cost was achieved without reductions in the quality of services. Albertans continue to enjoy the highest level of public services among the provinces.

The unique benefits provided to Albertans under the Alberta Economic Resurgence Plan, which was launched in April, 1982, were continued in 1983-84. The accompanying table details the cost of the various programs under the Plan. For the two-year period ending March 31, 1984, total benefits amounted to almost $2 billion. Funds required to finance the plan and to reduce the budgetary deficit were provided through special changes in Heritage Fund policy: the transfer of Heritage Fund investment income to the General Revenue Fund and the reduction of the resource revenue transfer to the Heritage Fund from 30% to 15%. These two measures added $2.2 billion to budgetary revenue.

The use of the Heritage Fund investment income for budgetary purposes is positive proof that the Heritage Fund is working to assist Albertans in all walks of life.

Lou Hyndman

Highlights

Budgetary Performance

- A budgetary deficit of $59 million was recorded in 1983-84, a sharp turn around from the 1982-83 budgetary deficit of $2,055 million.
- Net assets of the General Revenue Fund were reduced to $222 million at March 31, 1984 compared to $281 million at the end of the previous fiscal year.
- Total budgetary revenue rose 31.1% in 1983-84 to $9,282 million. The dramatic increase was due largely to the first-time, full impact of special changes made to Heritage Fund policy.
- Actual budgetary revenue was 5.0% or $442 million higher than the budget estimate.
- The transfer of Heritage Fund investment income for a full year totalled $1,469 million or 15.8% of total budgetary revenue.
- Total benefits under the Alberta Economic Resurgence Plan for the two-year period to March 31, 1984 amounted to just under $2 billion.
- Total budgetary expenditure in 1983-84 amounted to $9,341 million, an increase of only 2.3% over the previous year.
- Actual budgetary spending was 4.6% below the budget estimate and 8.4% below total expenditure authorizations.
- Operating expenditure increased by 9.6% to $7,673 million in 1983-84. Capital expenditure and grants for capital purposes amounted to $1,668 million, down 21.8% from the previous year.

SUMMARY BUDGETARY PLAN
(millions of dollars)

	1983-84 Actual	1983-84 Estimate	1982-83 Actual
Budgetary Revenue			
General Revenue	7,813	7,340	6,213
Heritage Fund Investment Income	1,469	1,500	866
	9,282	8,840	7,079
Budgetary Expenditure			
Operating	7,673	7,900	7,000
Capital	1,668	1,866	2,134
	9,341	9,766	9,134
Budgetary Deficit	59	926	2,055

ALBERTA ECONOMIC RESURGENCE PLAN PROGRAMS
(millions of dollars)

	1983-84	1982-83	Total
Homeowners			
Heritage Fund Mortgage Interest Reduction Program	111.7	88.7	200.4
Small Businessmen and Farmers			
Heritage Fund Small Business and Farm Interest Shielding Program	23.4	52.0	75.4
Farm Fuel Distribution Allowance Enrichment	44.3	39.4	83.7
Primary Agricultural Producers' Natural Gas Price Protection Plan	2.0	0.8	2.8
Small Contractors			
Highway Winter Works and 1982 Fall Roadwork Extension Programs	—	45.6	45.6
Truckers			
Truck Licence Fee Reduction Program	8.0	17.5	25.5
Students			
Advanced Education Extra Enrolment Funding	12.2	5.3	17.5
Oil and Gas Industry			
Well Servicing and Development Grant	92.1	250.2	342.3
Royalty Tax Credit Enrichment	472.0	605.0	1,077.0
Extension of Natural Gas Royalty Holidays	25.0	—	25.0
	790.7	1,104.5	1,895.2

Consolidated Financial Position

- A consolidated surplus of $240 million was recorded in 1983-84. This compares with a consolidated deficit of $794 million in 1982-83.
- Consolidated net assets amounted to $11,510 million at March 31, 1984 compared to $11,270 at the end of the 1982-83 fiscal year.
- Consolidated revenue reached $11,572 million in 1983-84, an increase of 9.7% from the previous year.
- Consolidated expenditure amounted to $11,332 million in 1983-84, virtually unchanged from the previous year.

Economic Year in Review

Alberta has a relatively small resource-based economy and is consequently sensitive to external conditions. Resource-based economies usually lag manufacturing economies in the recovery cycle. In Alberta this pattern has been aggravated by the need to absorb excess physical capacity created by the investment boom in the late 1970's and early 1980's. In addition, the external factors to which Alberta's economy is most sensitive did not improve sufficiently in 1983 to support a return to provincial economic expansion. High interest rates, weakened world energy demands and investment disadvantages due to the National Energy Program were major factors pulling down overall economic performance during 1983.

Gross Domestic Product

Although Alberta's economy contracted in real terms in 1983, the five-year average real Gross Domestic Product growth rate from 1978 to 1983 was 2.2 per cent, nearly double the Canadian average for that period. Albertans continued to enjoy the highest per capita Gross Domestic Product and the second highest per capita personal income of all the provinces (see Chart 1).

Investment fell in 1983 but still accounted for 27% of total output which is considerably higher than the national average. Although Alberta could not realistically expect to prolong the abnormally high levels of investment which occurred in the late seventies and early eighties, it did attract 20% of total Canadian investment in 1983.

The Labour Market

Alberta maintained the highest employment/population ratio of all the provinces, although employment in Alberta decreased by 1.5% to 1,115,000 (see Chart 2). The unemployment rate rose from 7.7% to 10.8%, but remained under the Canadian unemployment rate of 11.9%.

Growth of Alberta's labour force slowed considerably. This contrasts to the previous year when Alberta's labour force growth surpassed all of the provinces by at least one-half of a percentage point. Negative net provincial migration affected the growth of Alberta's working age population such that, even with slower labour force growth, Alberta's participation rate increased to 71.6%, the highest among the provinces and 4.5 percentage points ahead of second-ranked Ontario.

The Energy Sector

Development drilling was more attractive in 1983 as production from new infill wells became eligible for the New Oil Reference Price (NORP) under the June 30, 1983 amendments to the energy agreement. Over six hundred additional development oil wells were drilled in Alberta compared to the number drilled in the previous year. The number of exploratory oil wells drilled slightly surpassed the previous year's total.

The volume of Alberta natural gas sales fell 4.5% in 1983. Domestic sales outside of Alberta declined because of the severity and longevity of the economic recession, general fuel conservation measures, mild weather and competition from heavy fuel oil. Natural gas exports to the United States fell to 649 billion cubic feet, reflecting pricing problems and excess supply in the United States.

In early 1983 demand for Alberta oil fell short of productive supply. Shut-in crude oil averaged 91 thousand barrels per day during the first half of the year. After June, 1983, oil sales rose significantly, bringing production back to full capacity. During the year, the production of crude oil and equivalent increased by 4.4% to a level of 448.4 million barrels for the year. Synthetic crude oil production from the Suncor and Syncrude oil sands plants rose 33% to 58,230 thousand barrels for the year.

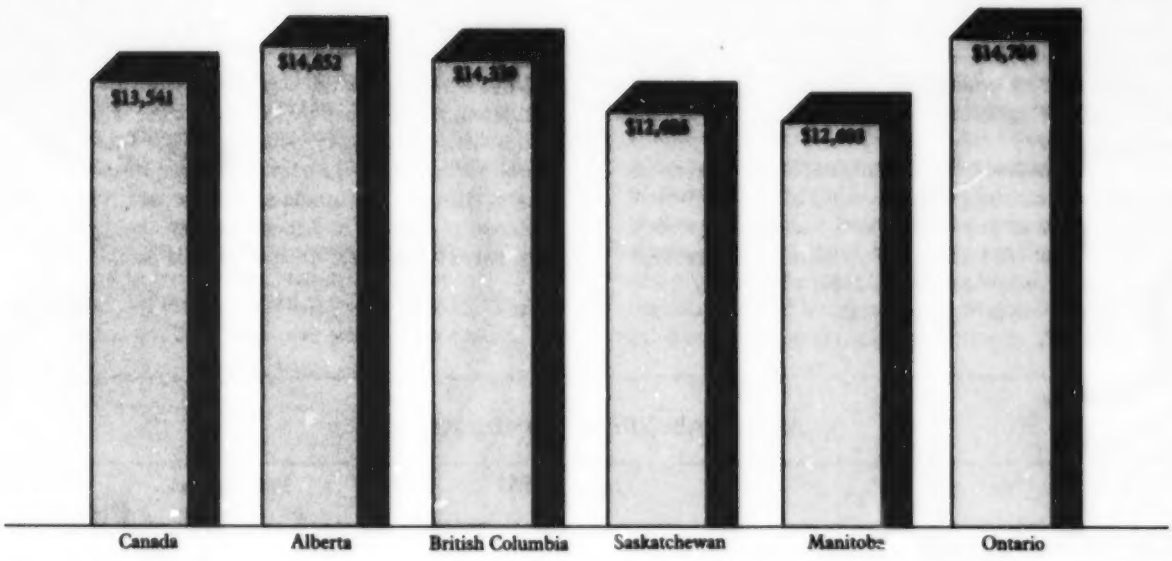
The value of output of the oil and gas industry reached $21.0 billion. The value of production of crude oil and equivalents was $14.7 billion, an increase of 26.8% from 1982, in part due to the increase in the share of NORP conventional crude oil production. The value of natural gas sales fell by 6.0% to $5.9 billion. The value of natural gas by-products climbed 11.7% to $2.5 billion.

Other Economic Indicators

Farm cash receipts decreased by 2.7% in 1983 to a level of $3.7 billion. Crop receipts increased 3.2% to $2.0 billion with cash receipts from canola surging 33.5% higher than in 1982, an increase of nearly $81 million. Receipts from livestock and products were down slightly. Alberta once again generated 20% of Canadian farm cash receipts.

CHART 1

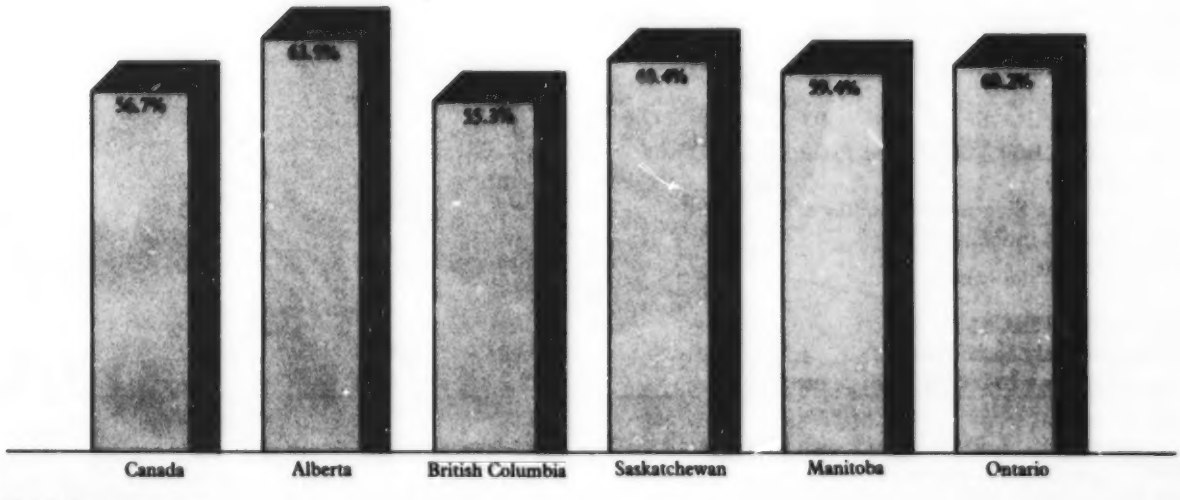
PERSONAL INCOME PER CAPITA, 1983
CANADA AND SELECTED PROVINCES



Source: Statistics Canada

CHART 2

EMPLOYMENT/POPULATION RATIO, 1983
CANADA AND SELECTED PROVINCES



Source: Statistics Canada

Alberta's manufacturing shipments reached a value of $12.8 billion. The petroleum and coal products industries (primarily oil refining) continued their robust growth of the previous year as shipments grew by 10.9% to a value of $3.6 billion. Contrary to their performance in 1982, shipments of the chemical and chemical products industries grew steadily to $1.5 billion. These two industries along with the food and beverage industry accounted for more than two-thirds of total manufacturing shipments.

The value of construction work totalled $11.8 billion, an 18% decrease from the previous year. This lull follows a period of vigorous growth: the five-year annual growth rate from 1978 to 1983 was 9.8%. Alberta's share of total construction work in Canada was 21%, while Ontario's share was 26% of the total.

Wages and salaries crept up slowly in 1983 and disposable income made only marginal gains. Despite the lacklustre income growth, retail sales growth was stronger than the previous year. Alberta maintained its position of highest per capita retail sales at $4,802 per person, exceeding the value recorded for Ontario by more than 7%.

The rate of inflation fell substantially during 1983. Inflation, as measured by the change in the average Edmonton and Calgary Consumer Price Index (CPI), stood at 5.2%. This price performance was slightly better than that of Canada as a whole which had a CPI increase of 5.8%. The Alberta rate was held down by decreased housing prices and reduced rental rates.

ALBERTA ECONOMIC INDICATORS

	1983	1982	Percentage Change	Five-Year Growth Rate [c]
GROSS DOMESTIC PRODUCT AND INCOME				
Real Gross Domestic Product ($ 1971 millions)	13,720	13,964	-1.7	2.8
Gross Domestic Product ($ millions)[a]	55,503	53,205	4.3	14.4
Investment ($ millions)[a]	15,052	18,434	-18.3	8.8
Wages and Salaries ($ millions)	22,562	22,248	1.4	14.7
LABOUR MARKET				
Population (thousands)	2,365.5	2,323.3	1.8	3.6
Labour Force (thousands)	1,249	1,227	1.8	4.9
Participation Rate (per cent)	71.6	71.4	—	71.2 [d]
Employment (thousands)	1,115	1,132	-1.5	3.5
Unemployment Rate (per cent)	10.8	7.7	—	6.0 [d]
Net Interprovincial Migration (thousands)	-30.0	9.2	—	24.2
ACTIVITY				
Value of Petroleum and Mineral Production ($ millions)	22,218	20,913	6.2	17.1
Manufacturing Shipments ($ millions)	12,762	12,573	1.5	11.4
Retail Sales ($ millions)	11,304	10,941	3.3	10.7
Housing Starts	17,134	26,789	-36.0	30,874 [d]
WAGES AND PRICES				
Average Weekly Earnings ($)	466.62	435.47	7.2	11.0
Consumer Price Index (per cent change)[b]	5.2	11.4	—	9.7 [d]

[a] At market price.
[b] The Consumer Price Index for Alberta is taken as the average of the Calgary and Edmonton indices.
[c] Five-year average percentage change.
[d] Five-year average.

Budgetary Revenue

Total budgetary revenue amounted to $9,282 million, an increase of 31.1% over 1982-83. Actual total revenue exceeded the budget estimate by 5.0%.

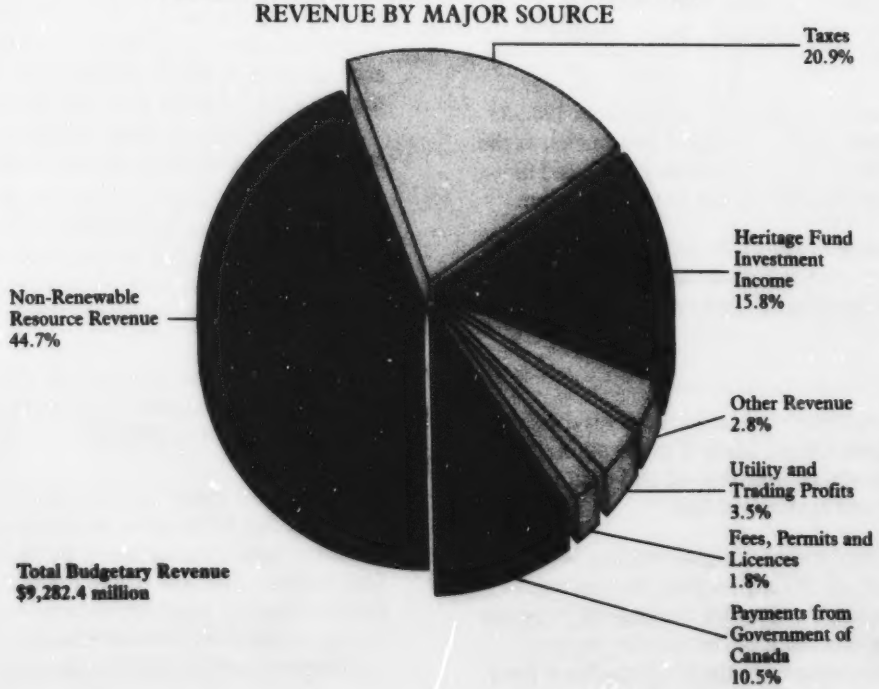
General revenue, that is, budgetary revenue before adding in Heritage Fund investment income, amounted to $7,813 million in 1983-84, an increase of 25.8% from the 1982-83 level. The major factor in the dramatic rise was the change in Heritage Fund policy (effective April, 1983) to reduce the transfer of non-renewable resource revenue to the Heritage Fund from 30% to 15%. This added $757 million to budgetary revenue.

The contribution of investment income from the Heritage Fund to budgetary revenue amounted to $1,469 million, an increase of 69.7% over 1982-83. The main reason for the large year-over-year increase was the difference in the period of contribution. The transfer was initiated in September, 1982. Consequently, seven-twelfths of the 1982-83 investment income was transferred to the General Revenue Fund compared to a full year's transfer in 1983-84.

Chart 3 shows components of budgetary revenue by major source. Tax revenue accounted for 20.9% of total budgetary revenue in 1983-84. Among the provinces, Alberta receives the lowest portion of its revenue from taxes. Non-renewable resource revenue is Alberta's chief revenue source. It accounted for 44.7% of budgetary revenue in 1983-84, the highest of any province. Transfers from the Government of Canada accounted for 10.5% of budgetary revenue, the lowest of any province. Heritage Fund investment income contributed 15.8% of budgetary revenue and was the third most important revenue source in 1983-84.

CHART 3

PERCENTAGE DISTRIBUTION OF BUDGETARY REVENUE BY MAJOR SOURCE



Taxes

Provincial taxes include personal and corporate income taxes, the freehold mineral rights tax, insurance corporations tax, pari- mutuel, tobacco and other miscellaneous taxes.

Albertans enjoy the benefits of the lowest personal income tax rate in Canada, pay no retail sales tax unlike residents in all other provinces and pay no gasoline tax unlike most Canadians.

Total net tax revenue in 1983-84 amounted to $1,942 million, an increase of 12.4% from the previous year.

Net personal income tax revenue amounted to $1,481 million, a decline of 10.2% from the previous year. The apparent drop in tax revenue was due mainly to large adjustment payments received in 1982-83 for prior tax years under the federal-provincial tax collection agreement. The increase in the personal income tax rate effective January, 1984 affected only March, 1984 receipts because of the way the tax collection agreement operates.

Corporate income tax revenue increased by 29.2% to $731 million in 1983-84 as some businesses, particularly those in the oil sector, experienced a rebound in profits.

The royalty tax credit declined by 20.5% from 1982-83 to $579 million, due to the scheduled termination at the end of 1983 of the enrichment portion introduced in April, 1982 under the Oil and Gas Activity Program.

Tobacco tax revenue totalled $99 million in 1983-84, more than three times the 1982-83 level. This was due to an increase in the tobacco tax rate effective March 25, 1983.

Non-Renewable Resource Revenue

Non-renewable resource revenue includes royalties on the production from Crown lands of crude oil, natural gas and gas by-products, synthetic oil and coal; sales of Crown leases; and rentals and fees.

Net non-renewable resource revenue reached $4,153 million in 1983-84, 47.2% higher than the previous year. The biggest single reason for the large increase was the policy change that reduced the transfer of non-renewable resource revenue to the Heritage Fund from 30% to 15%. This increased resource revenue by $757 million.

Crude oil royalty in 1983-84 amounted to $2,873 million, up 22.9% from the previous year. A major factor was the amendment in June, 1983 to the Ottawa-Alberta Energy Agreement resulting in increased volumes of Alberta crude oil being eligible for the world price. Natural gas and by-products royalty totalled $1,694 million in 1983-84, down 9.7% from 1982-83 because of continued weak demand in all markets, particularly in the United States, where a decline in the export price was required to maintain Canada's competitiveness. Synthetic oil royalty dropped 16.1% in 1983-84 to $304 million largely as a result of royalty relief and deferment programs directed at Suncor and Syncrude expansion projects respectively. Revenue from the sale of Crown leases rose by 44.7% to $487 million as interest developed in new oil plays and deeper drilling rights.

Deductions for exploratory drilling and geophysical incentives declined by 58.7% or $105 million due to a program policy change allowing the option of cash grants in lieu of credits.

Payments from resource revenue under the Alberta Petroleum Incentives Program dropped to $370 million, a 46.0% decline over the previous year. The higher allocation in 1982-83 was due to an accumulation of eligible applications dating back to the inception of the program on January 1, 1981.

Payments from Government of Canada

Government of Canada transfers to Alberta include payments under the Established Programs Financing Act (hospital insurance, post-secondary education and extended health care) and various shared-cost programs (notably the Canada Assistance Plan).

Total federal transfer payments in 1983-84 amounted to $976 million, an increase of 5.9% over 1982-83 but a decline of 3.1% from 1981-82.

Cash payments under the Established Programs Financing Act for hospital insurance and post-secondary education increased by 18.8% over 1982-83 to $403 million. This was due to the federal payments formula whereby relatively slow growth in the value of provincial tax point revenue relative to total entitlements yielded higher cash payments.

Oil export charge revenue fell to $86 million in 1983-84, a decrease of 14.8%. The decline in revenue was

caused by a rise in average Canadian oil prices relative to the competitive prices prevailing in U.S. markets.

Fees, Permits and Licences

This category includes revenue from motor vehicle licences, land titles, timber rentals and fees, and other miscellaneous charges.

Fees, permits and licences revenue totalled $167 million in 1983-84, up by 15.2% from the previous year.

Motor vehicle licences showed an increase of 32.5% as the truck licence fee reduction program under the Alberta Economic Resurgence Plan was phased out. Timber rentals and fees increased 53.6% to $17 million due to an increase in timber damage fees and improved lumber markets.

Utility and Trading Profits

Utility and trading profits include liquor board remittances and miscellaneous other operating profits.

Total revenue from utility and trading profits amounted to $320 million in 1983-84, an increase of 35.3% over the previous year.

The Alberta Liquor Control Board remitted $309 million in revenues in 1983-84. Remittances from the Board increased by 30.6% over that reported in 1982-83 due to increased mark-ups (effective March, 1983), reduced inventory levels and a freeze on the Board's building program.

Other Revenue

Included in this category are investment income, refunds of prior years' expenditure, fines and penalties, sales of assets and other miscellaneous revenue.

In 1983-84 other revenue totalled $255 million, a decline of 29.3% from the previous year due primarily to the drop in investment income resulting from sales of income earning assets to finance the budgetary deficit.

Heritage Fund Investment Income

Effective September, 1982, investment income earned by the Heritage Fund was transferred to the General Revenue Fund to help finance the Alberta Economic Resurgence Plan and the budgetary deficit.

In 1983-84 the transfer to the General Revenue Fund of Heritage Fund investment income for a full year amounted to $1,469 million. This was a 69.7% increase over 1982-83 when only seven months of investment income was transferred to budgetary revenue.

Budgetary Expenditure

Total budgetary expenditure in 1983-84 was held to $9,341 million, a 2.3% increase over the previous year. This low rate of increase was consistent with the government's "hold-the-line" fiscal policy strategy.

Actual expenditure was 4.6% below the budget estimate and 8.4% below total authorizations which included $421 million in special warrants.

Operating expenditure amounted to $7,673 million, an increase of 9.6% over the 1982-83 level. Capital expenditure and capital grants declined by 21.8% from the 1982-83 level to $1,668 million in 1983-84. Operating expenditure accounted for 82.1% of total expenditure in 1983-84 and capital expenditure and capital grants made up the other 17.9%.

Chart 4 looks at expenditure from the perspective of who benefits from it and in what form the expenditure is made. In 1983-84, 70.7% of total expenditure was in the form of grants to individuals, school boards, colleges and universities, municipalities and hospital boards. Manpower costs for government departments by comparison, accounted for only 11.8% of total expenditure in 1983-84.

The composition of expenditure by major function is illustrated in Chart 5. Health is Alberta's largest expenditure area accounting for 24.8% of total expenditure in 1983-84. Education is the next biggest spending field at 22.2% and the two together make up nearly one-half of total expenditure.

CHART 4

BUDGETARY EXPENDITURE BY OBJECT

1983-84

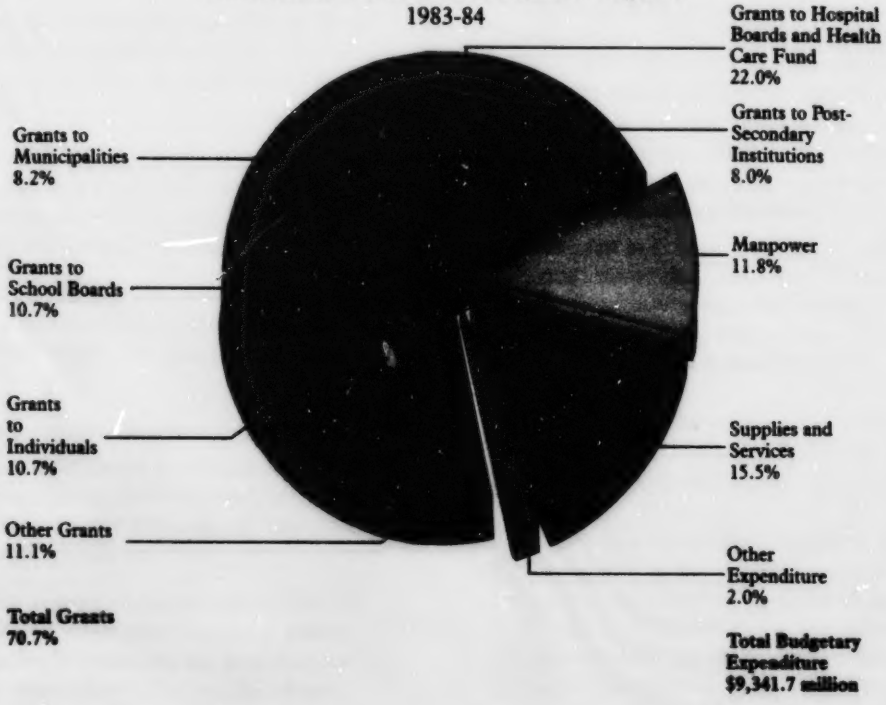
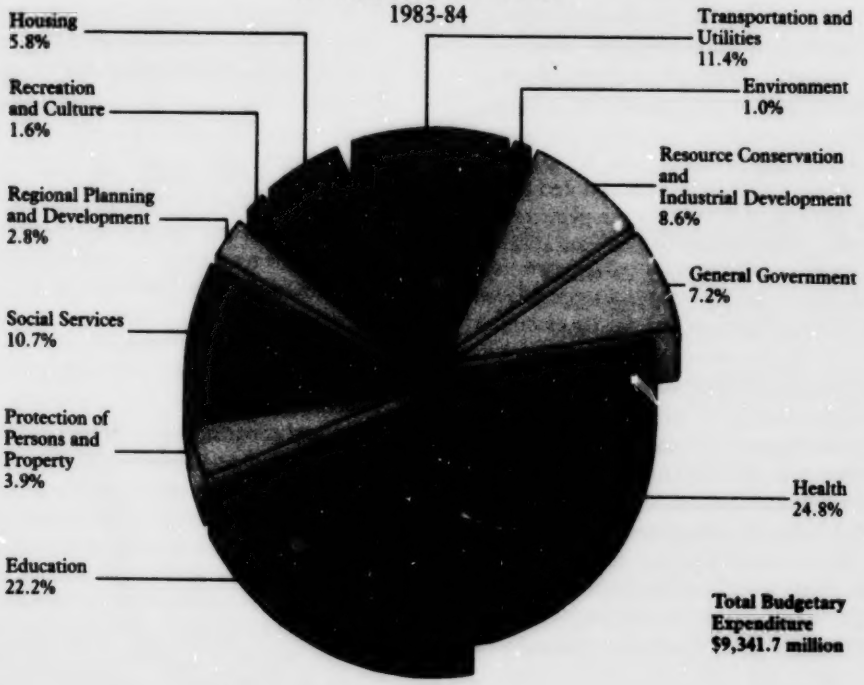

Grants to Hospital Boards and Health Care Fund 22.0%
Grants to Post-Secondary Institutions 8.0%
Manpower 11.8%
Supplies and Services 15.5%
Other Expenditure 2.0%
Total Budgetary Expenditure $9,341.7 million
Grants to Municipalities 8.2%
Grants to School Boards 10.7%
Grants to Individuals 10.7%
Other Grants 11.1%
Total Grants 70.7%

CHART 5

PERCENTAGE DISTRIBUTION OF BUDGETARY EXPENDITURE
BY MAJOR FUNCTION
1983-84



Health

Albertans have access to a wide range of first-class health services and facilities. These include active and auxiliary hospitals, nursing homes, health care insurance and community health services. Total expenditure on health amounted to $2,314 million in 1983-84.

Operating expenditure for active care and auxiliary hospitals and nursing homes reached a record $1.4 billion in 1983-84, an increase of $120 million over the previous year.

Wage and salary settlements have been a major component of escalating health care costs. $85 million was provided to cover the cost of arbitration awards handed down in 1982 to nurses and other health care workers. 66% of the total increase in 1983-84 health care operating costs is attributable to wage and salary increases.

The policy of automatically covering hospital board deficits was abolished in 1982-83 because it provided no incentive for hospitals to stay within their budgets. The new, optional user charge system provides the means for hospitals to make up cost over-runs. As of March 1, 1985, no hospital has had to put in place the new user charges. User charges also ensure that hospital users are aware of the costs.

Under the ongoing Hospitals Construction Facility Program, capital funding, including that for new equipment, reached a record level of $265 million, an increase of 21.8% over 1982-83. As part of the capital construction and renovation program, 18 new projects in 17 communities were begun in 1983-84. This was in addition to the 16 projects already under construction in 15 communities and the 17 projects completed in 12 other communities.

Education

Education includes basic education, post-secondary education and manpower training. In 1983-84 total expenditure on education amounted to $2,066 million.

The provincial government and local authorities share the responsibility for funding basic education. The province provides support in the form of payments to the School Foundation Program Fund and direct grants to school boards.

Funding for basic education in 1983-84 amounted to $1,108 million, an increase of 6.9% over the previous year. There was strong emphasis on special education programs for the handicapped, funding for which increased by 11.2%. Early Childhood Programs received a funding increase of 19.2% in 1983-84.

Operating grants to public colleges, technical institutes and universities amounted to $571 million, an increase of 9.4% over the previous year. Special enrolment funding of $12 million was provided under the Alberta Economic Resurgence Plan to help post-secondary institutions deal with increased attendance.

Financial assistance to students rose by 69.0% to $57 million reflecting the large increase in enrolments and the number of students receiving financial assistance.

On a per capita basis, the Alberta government continues to be among the top contributors to basic and advanced education.

Social Services

Social Services embodies an extensive range of social programs including social allowance, child welfare services, services to the handicapped and day care programs. Total spending in this area amounted to $1,001 million in 1983-84.

Payments under the Social Allowance Program increased by 5.5% to $367 million in 1983-84 to help Albertans cope with the economic downturn.

Funding for Child Welfare Services increased to over $123 million in 1983-84; spending on support services for the handicapped rose 9.0% to $107 million; and financial assistance to local authorities for community social services amounted to $23 million.

The Benefits and Income Support Program provided $161 million in assistance. For the first time, pension benefits became available to widows and widowers of limited means between the ages of 55 and 64, many of whom have lost a wage-earning spouse. Total benefits of $7 million were paid out under this new program in 1983-84. These individuals also became eligible for programs and benefits previously limited to those 65 years and over.

In 1983-84 the minimum property tax rebate benefit to seniors was raised from $600 to $1,000 and the senior citizen renters assistance grant rose from $1,000 to $1,200. The total program cost amounted to $90 million, an increase of 41.9% over the previous year.

Regional Planning and Development

This functional area includes financial support for municipal programs, community planning services and administrative and technical support to municipalities. Total Regional Planning and Development expenditure amounted to $257 million in 1983-84.

Residents in Alberta municipalities enjoy among the lowest property taxes in Canada due in large measure to some unique provincial funding programs. The one billion dollar Municipal Debt Reduction Program of 1979-80 continues to provide benefits to municipalities. The Alberta Municipal Debenture Interest Rebate Program, although phased out in 1983 for new borrowing, continues to provide benefits to municipal taxpayers from lower interest costs on existing, qualified debts. Total expenditure under this program amounted to $111 million in 1983-84.

Unconditional assistance grants to municipalities in 1983-84 amounted to $91 million.

Housing

Total Housing expenditure in 1983-84 amounted to $545 million, providing unparalleled shelter assistance to Albertans.

The government has given a very high priority to programs that bridge the affordability gap faced by homeowners and renters. Direct subsidies to lower and middle income families under the Alberta Family

Home Purchase Program amounted to $36 million in 1983-84. Indirect subsidies to renters under the Core Housing Incentive Program amounted to $54 million, an increase of 25.2% over the previous year.

The Heritage Fund Mortgage Interest Reduction Program which effectively reduced mortgage rates to 12.5% provided significant benefits to homeowners. Over 154 thousand applications were approved and cheques totalling $112 million were distributed under the program in 1983-84. Total benefits paid under the program to March 31, 1984 totalled $200 million.

Recreation and Culture

The province provides funding for a variety of recreational facilities and cultural activities. Total spending in this area amounted to $146 million in 1983-84.

In July, 1983 Edmonton was the proud host to the World University Games. The province provided operating assistance totalling over $7 million. Calgary will play host to the world for the 1988 XV Olympic Winter Games and almost $3 million was spent on preliminary planning and development in 1983-84.

Funding for the development of historical resources amounted to nearly $22 million in 1983-84. Work on the Tyrrell Museum in Drumheller, the Ukrainian Village near Elk Island Park and the Buffalo Jump Visitors Centre near Fort Macleod continued in 1983-84. Construction also started on the Oil Sands Interpretive Centre in Fort McMurray. Funds were also provided to maintain Alberta's uniquely creative cultural programs supporting the fine and performing arts.

Funding for the operations and maintenance of Alberta's provincial parks reached $29 million in 1983-84. The province also provided grants totalling $42 million in 1983-84 to municipalities under the Recreation Development Financial Assistance Program.

Environment

The Environment function encompasses the prevention and control of pollution; land resource management, conservation and reclamation; and water resources management. Total Environment expenditure amounted to $91 million in 1983-84.

The water resources management program is intended to develop surface water supplies and implement water development and control projects. Total expenditure under this program amounted to $47 million in 1983-84. The Dickson Dam, southwest of Red Deer, was put into service in 1983-84. The Lesser Slave Lake outlet for water stabilization was also completed in 1983-84.

Funds totalling $18 million were provided for air and water quality management, earth contamination prevention and waste management programs under the Pollution Prevention and Control Program.

Resource Conservation and Industrial Development

This expenditure function includes economic development initiatives, management of Alberta's resources, assistance to small business and agriculture, and promotion of tourism. Spending in this area totalled $796 million in 1983-84.

To assist businessmen and farmers cope with high interest costs, the Alberta Heritage Fund Small Business and Farm Interest Shielding Program effectively reduced interest rates to 14.5% for a two-year period ending February, 1984. In 1983-84 assistance amounted to $23 million. Over the life of the program, grants totalling $75 million were paid to about 45 thousand small businessmen and farmers.

The operating grant for the Agricultural Development Corporation amounted to $66 million in 1983-84, an increase of 11.7% over the previous year. The corporation provides attractive interest rebates which shield beginning farmers and certain other agricultural operators.

Funding for the Alberta Hail and Crop Insurance Corporation (including the High Risk Subsidy Program provided to agricultural producers in northern Alberta) increased nearly two-fold to $9 million in 1983-84. $12 million in assistance was provided to canola crushers.

The Farm Fuel Distribution Allowance which reduces fuel input costs to farmers provided benefits amounting to over $65 million in 1983-84.

The construction of the Prince Rupert Grain Terminal Facility continued in 1983-84. The completion of this facility in 1985 will provide significant benefits to Alberta grain farmers for decades to come.

Transportation and Utilities

This expenditure function includes the provision of transportation services and facilities and the supervision of utilities. Expenditure in this field amounted to $1,064 million in 1983-84.

An efficient transportation system is one of the prerequisites to economic development. Alberta has one of the most extensive and efficient transportation networks in the country. Capital expenditure on transportation exceeded $675 million in 1983-84. Provision was made in the amount of $634 million for construction and maintenance of highways. Urban transportation grants totalled $166 million.

The Regional Utility Program, under which funding is provided for the construction of regional utility systems, received funds amounting to $46 million. Funding for the Alberta Municipal Water Supply and Sewage Treatment Grant Program amounted to $70 million.

Protection of Persons and Property

This functional area encompasses the administration and enforcement of laws; control and regulation of policing and correctional institutions; and the regulation of trade practices in the market place. Expenditure in this area amounted to $362 million in 1983-84.

To meet increasing demands on our courts, close to $54 million was spent on court services in 1983-84. Financial support for legal aid increased by 18.3% to over $10 million. Expenditure on correctional services and facilities increased by 9.2% to $74 million in 1983-84.

Provincial support for law enforcement including municipal police assistance grants and funding for the services of the Royal Canadian Mounted Police amounted to $84 million in 1983-84, an increase of 6.0% over the previous year.

General Government

The General Government expenditure function includes support for the Legislative Assembly, intergovernmental activities, Treasury financial management services, the provision of government accommodation and other central services to departments and some Crown agencies. Expenditure in this area amounted to $670 million in 1983-84.

Construction and renovation projects were undertaken for government and government agencies in several communities in 1983-84.

Debt servicing costs amounted to $105 million in 1983-84, an increase of 33.3% over the previous year as a result of the large deficit incurred in 1982-83.

Regulated Funds

Regulated funds are comprised of public money that is not part of the General Revenue Fund or public money that has been paid out of the General Revenue Fund into a designated fund by authority of an Act of the Legislature or a supply vote.

The Alberta Heritage Savings Trust Fund

Established in 1976 by an Act of the Alberta Legislature, the Alberta Heritage Savings Trust Fund is the largest and most important of the regulated funds. In deciding to save a portion of non-renewable resource revenues in a Heritage Fund, the Legislature recognized that Alberta's conventional oil and gas resources will be depleted over time and that the revenues they generate can fluctuate with factors beyond the province's control, such as international oil and gas prices. The savings in the Heritage Fund provide Alberta with another source of revenue when needed. The Heritage Fund is therefore a key tool in the province's financial management strategy.

From 1976-77 to 1982-83, the Heritage Fund received 30 per cent of the province's non-renewable resource revenue. In 1983-84, the transfer of resource revenue to the Heritage Fund was reduced to 15 per cent as a response to budgetary requirements. The 15 per cent transfer in 1983-84 amounted to $720 million.

Since September, 1982, all the investment income of the Heritage Fund has been transferred to the General Revenue Fund to help meet the costs of government services such as health care, education and transportation. In 1983-84, Heritage Fund income contributed $1,469 million to budgetary revenues.

At March 31, 1984, the Heritage Fund's assets were $13,712 million. Reflecting the long term savings objective of the Fund, 86 per cent of the Fund's investments were income earning. The remaining $1,935 million was invested in non-income earning capital projects and recorded as deemed assets of the Heritage Fund.

In 1983-84, the Heritage Fund's investment activities were focussed on the Alberta Investment Division and the Capital Projects Division.

Through the Alberta Investment Division, over $700 million in new investments were made. Investments under this Division serve to strengthen or diversify the Alberta economy and provide a reasonable financial return to the Fund. In 1983-84, the Heritage Fund provided financing totalling nearly $600 million to provincial Crown corporations for purposes such as lending programs for small businesses, farms and agribusinesses, mortgage financing for low to middle income Albertans, and the construction of senior citizen housing. In addition, the Heritage Fund, through this Division, invested $85 million in participating first mortgage bonds of Ridley Grain Ltd. to help finance the construction of a grain terminal at Prince Rupert, B.C. When operational in 1985, this facility will boost Alberta's grain export potential from Canada's Pacific coast by 20 per cent.

In 1983-84, investments totalling $530 million were made under the Capital Projects Division. Investments made through the Division provide long term economic or social benefits to the people of Alberta. By their nature, they do not necessarily yield a return to the Heritage Fund. Funds for these investments are voted by the Legislative Assembly.

Twenty-two projects started in previous years received $330 million in support. These included urban parks in a number of centres, specialized health care facilities, major irrigation works, and research into oil sands and enhanced oil recovery methods. Further, during the 1983 Spring Session, the Legislature approved a $200 million loan from the Division to Vencap Equities Alberta Ltd. This new Alberta based venture capital company is a shareholder owned corporation and operates at arm's length from the government.

As well as these investments through the Alberta Investment Division and the Capital Projects Division, the orderly program of investment in common shares through the Commercial Investment Division continued in 1983-84. At March 31, 1984, the Commercial Investment Division had total investments (at cost) of $199 million. The market value of the portfolio at the end of 1983-84 was $275 million. The Division's equity portfolio is diversified, and holdings are limited to no more than 5 per cent of the shares outstanding of any one company.

The Pension Fund

The Pension Fund was established in late 1980-81 by a transfer of $1,100 million from the General Revenue Fund. The Fund will help provide for the costs of pension benefits being earned by employees of the province, local authorities and Alberta's universities

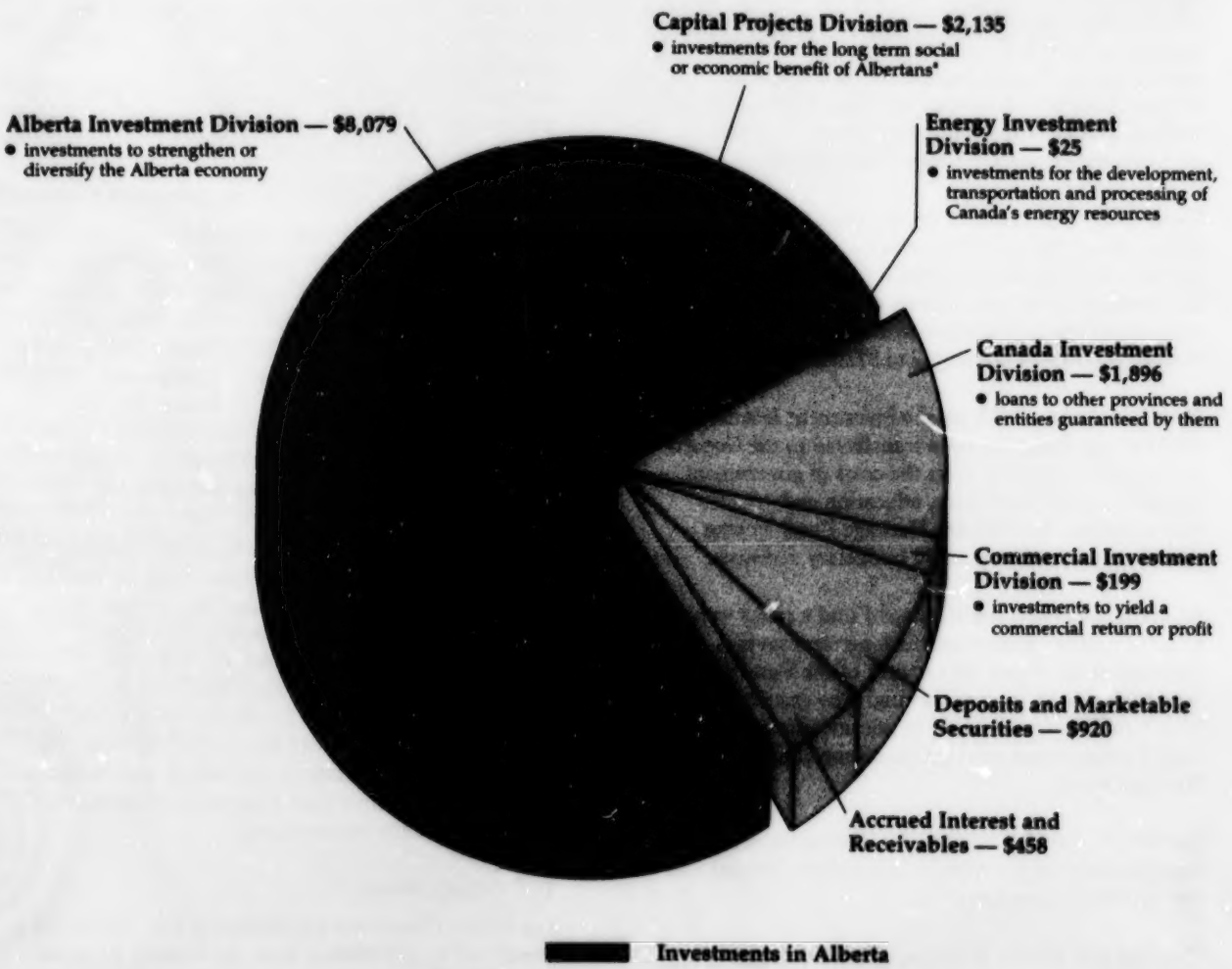
CHART 6

COMPOSITION OF ALBERTA HERITAGE SAVINGS TRUST FUND
AT MARCH 31, 1984

(Millions of Dollars)

Total Assets — $13,712

75 per cent of the Heritage Fund was invested in Alberta at March 31, 1984.


Capital Projects Division — $2,135
• investments for the long term social or economic benefit of Albertans*
Alberta Investment Division — $8,079
• investments to strengthen or diversify the Alberta economy
Energy Investment Division — $25
• investments for the development, transportation and processing of Canada's energy resources
Canada Investment Division — $1,896
• loans to other provinces and entities guaranteed by them
Commercial Investment Division — $199
• investments to yield a commercial return or profit
Deposits and Marketable Securities — $920
Accrued Interest and Receivables — $458
Investments in Alberta

* Capital Projects may not necessarily yield a return and are reported in part as assets and in part as deemed assets in the financial statements of the Heritage Fund.

whose pensions are administered and guaranteed by the province.

In 1983-84, the contributions made by employers and employees exceeded the benefits paid by $171 million. In addition, the Fund earned $217 million in income, resulting in a net increase in fund equity of $388 million. At March 31, 1984, the Pension Fund had assets of $2,156 million comprising a diversified portfolio of government and corporate bonds, money market securities, mortgages and equities.

Alberta Heritage Scholarship Fund

The Alberta Heritage Scholarship Fund was established in 1981-82 with an endowment of $100 million from the Capital Projects Division of the Heritage Fund. The Fund is administered by the Provincial Treasurer and the scholarships it supports are awarded through the Students Finance Board.

In 1983-84, the Scholarship Fund earned net income of $15 million. During the year, over $9 million was awarded to Alberta students under ten scholarship programs. At March 31, 1984, the assets of the Fund totalled $122 million.

The Alberta Heritage Foundation for Medical Research Endowment Fund

The Alberta Heritage Foundation for Medical Research Endowment Fund was established in 1979-80 with a contribution of $300 million from the Capital Projects Division of the Alberta Heritage Savings Trust Fund. The Provincial Treasurer administers the Fund, while a separate body, the Alberta Heritage Foundation for Medical Research, determines the research to be supported.

In 1983-84, the investment earnings from the Endowment Fund amounted to $47 million, of which $31 million was transferred to the Foundation for research programs. The Fund's assets at March 31, 1984 were $415 million.

Alberta Provincial Corporation Loan Fund

The Alberta Provincial Corporation Loan Fund was established in 1983. The Fund allows the province to borrow in capital markets and relend the proceeds, at cost, to provincial Crown corporations. At March 31, 1984, the Fund's assets totalled $123 million and consisted of short term debt obligations of Alberta Municipal Financing Corporation and Alberta Home Mortgage Corporation.

Other Regulated Funds

The Health Care Insurance Fund made payments for basic and extended health services in the province amounting to $638 million in 1983-84. Of this, $346 million was provided by the province, $201 million by premium payments, $88 million by contributions from the Government of Canada and $3 million by interest income.

Incentives are provided through the Alberta Petroleum Incentives Program Fund (APIP) to eligible companies, individuals, and partnerships which are at least 50 per cent Canadian owned, to encourage them to explore for and develop oil and natural gas in Alberta. This program was financed in 1983-84 by a transfer of $370 million of non-renewable resource revenue from general revenues. The province's decision to provide the program was part of the Energy Pricing and Taxation agreement signed between the province of Alberta and the federal government in September, 1981. APIP made grants totalling $362 million in 1983-84.

Another important regulated fund is the Utility Companies Income Tax Rebates Fund which rebates 95 per cent of federal and 100 per cent of provincial income taxes paid by privately owned electric utilities in the province. These companies in turn pass the savings along to consumers. In 1983- 84, $223 million was returned to consumers in this way.

A number of additional regulated funds provide a variety of services which complement the programs of government departments.

Provincial Corporations

A provincial corporation is one which is either wholly-owned by the government or has the majority of directors appointed by the government. Provincial corporations deliver government programs and initiatives in diverse areas of activity. In most cases, the provincial corporations described in this section were subsidized in some manner by the General Revenue Fund.

Alberta Opportunity Company

The Alberta Opportunity Company (AOC) operates as a lender of last resort by providing loans and guarantees to small businesses unable to obtain financing on reasonable terms and conditions from conventional sources. In 1983-84, the Company authorized 254 loans and loan guarantees totalling $29 million.

AOC financed its lending activities and debenture repayments largely by borrowing $42 million from the Alberta Heritage Savings Trust Fund. To assist AOC with its operating costs, the Department of Tourism and Small Business provided a grant of $8 million.

Alberta Agricultural Development Corporation

The Alberta Agricultural Development Corporation's (AADC) loan and loan guarantee programs for farmers and agribusinesses supplement financing available from conventional lenders and other government lenders. Loans are made at preferential interest rates and a number of programs offer interest rebates to qualifying farmers. In 1983-84, the Corporation made 1,082 loan commitments totalling $142 million under its Beginning Farmer Program. The Corporation also committed $8 million in loans to assist more established farms to expand and improve their productivity, and $13 million for agribusinesses.

To finance its lending operations, AADC borrowed $144 million from the Alberta Heritage Savings Trust Fund. The Corporation received an appropriation of $66 million through the Department of Agriculture to meet operating costs, the costs of interest rebates, and the difference between the Corporation's cost of borrowing and its interest revenues.

Alberta Municipal Financing Corporation

The Alberta Municipal Financing Corporation (AMFC) provides loans at current interest rates to municipalities, school systems and hospital boards in the province. During the year ended December 31, 1983, new loans totalled $622 million.

To finance these lending activities and to repay debentures issued in earlier years, AMFC raised $749 million in financing. Of this total, $299 million was borrowed from the Canada Pension Plan (CPP) Investment Fund, and $450 million in the Canadian public market.

Alberta Home Mortgage Corporation

The Alberta Home Mortgage Corporation's (AHMC) lending programs assist in providing affordable rental and ownership housing for low to middle income Albertans. During 1983-84, the Corporation, through its Family Home Purchase Program, committed $60 million in mortgage loans for the purchase of 597 existing homes and the construction of 528 new housing units. In the same period, commitments for rental housing totalled $25 million.

To finance these activities and repay debentures issued in earlier years, AHMC borrowed $220 million from the Alberta Heritage Savings Trust Fund. The Corporation received an appropriation of $185 million from the Department of Housing to meet operating costs, the cost of subsidies and the difference between the Corporation's cost of borrowing and its interest revenues.

Alberta Housing Corporation

The principal mandate of the Alberta Housing Corporation (AHC) is the provision of affordable housing for senior citizens and low to middle income Albertans whose housing needs cannot be met in the market place. In 1983-84, the Corporation, under its Senior Citizens Self-contained Program, committed funds to construct 103 units. As well, commitments were made for 99 units in Senior Citizens Lodges and 12 units under the Community Housing Program for low to moderate income Albertans of all ages.

AHC borrowed $170 million from the Heritage Fund to support its capital activities in 1983-84. During the year, a decision was taken to refinance the debentures issued to the Heritage Fund in past years by the Corporation to purchase its land inventory. Alberta Housing Corporation debentures totalling $279 million were refinanced during 1983-84 by way of an interest-free advance from the General Revenue Fund. This refinancing will allow the Corporation to reduce its future debt servicing costs. Any future land acquisitions will be funded through the proceeds of land sales or additional advances from the General Revenue

Fund. The Corporation's operating deficit, which is met by appropriations from the Department of Housing, was $124 million in 1983-84.

On August 1, 1984, the Alberta Mortgage and Housing Corporation Act was proclaimed which amalgamated the operations of the Alberta Home Mortgage Corporation and the Alberta Housing Corporation.

Alberta Oil Sands Technology and Research Authority

The Alberta Oil Sands Technology and Research Authority (AOSTRA) promotes the development of new technology both for the recovery and processing of petroleum from oil sands deposits and heavy crude reserves and for enhanced recovery from conventional reserves. To achieve these objectives, AOSTRA supports research activities and participates with the private sector in pilot projects. AOSTRA obtains ownership of the technology derived from the projects it funds and makes this technology available to all interested parties on fair business terms.

During the year ended March 31, 1984, AOSTRA received $2 million from the sale of technology and $55 million through an appropriation from the Capital Projects Division of the Heritage Fund.

Other Provincial Corporations

Other provincial corporations include the Energy Resources Conservation Board (ERCB) which is responsible for performing regulatory and other functions relating to the exploration, development, production and transportation of Alberta's energy resources. The Alberta Hail and Crop Insurance Corporation provides Alberta farmers with insurance against crop losses caused by all natural hazards including hail. The Alberta Educational Communications Corporation (ACCESS) provides educational broadcasting services and develops, produces and distributes educational programs and materials.

Commercial Enterprises

The provincial corporations, committees and enterprises included in this section are those which operate on the basis of their full cost being supported by charges for goods and services. These entities do not receive subsidies from the General Revenue Fund.

Alberta Government Telephones

Alberta Government Telephones Commission (AGT) provides Albertans with telephone, telecommunication and data processing services. In the year ended December 31, 1983, AGT's total revenues increased by 9 per cent to $953 million, while its expenses increased by 5 per cent to $976 million. Through a number of cost reduction and productivity measures, AGT reduced the growth in expenses from previous years and experienced a net loss of $23 million, down from the $56 million loss realized in 1982.

During 1983, AGT invested $223 million in new capital assets, bringing total assets to $2,311 million. These capital expenditures were largely financed by issuing debentures totalling $150 million in the Canadian public market and $30 million to the Heritage Fund.

Treasury Branches

In 1983-84, Treasury Branches provided a wide variety of financial services to 217 Alberta communities through a network of 130 branches and 108 agencies. During the year deposit balances increased by $472 million to $3,366 million. The portfolio of loans held by Treasury Branches increased by $382 million to $2,841 million.

For the year ended March 31, 1984, Treasury Branches had net income of $4 million and assets totalled $3,422 million.

Alberta Liquor Control Board

The Alberta Liquor Control Board's (ALCB) net income for the year ended December 31, 1983 totalled $296 million of which $289 million was remitted to the General Revenue Fund. The balance was used to purchase fixed assets and provide for the current requirements of the Board.

Other Commercial Enterprises

Other commercial enterprises include the Workers' Compensation Board which provides medical and vocational rehabilitation and compensation to injured workers through an industry supported insurance program and Alberta Terminals Ltd. which operates inland grain terminals at Calgary, Edmonton and Lethbridge.

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The financial statements in this publication are extracted from the audited financial statements published in the Public Accounts of Alberta, 1983-84.

A. G. Heisler, C.A.
Controller

Introduction

General Revenue Fund Financial Statements

The General Revenue Fund of the Province receives all public money, except money over which the Legislature has no power of appropriation and money which is otherwise specially disposed of by legislation. Once received in the General Revenue Fund, funds may be expended on the authority of a supply vote approved by the Legislative Assembly, a special warrant ordered by the Lieutenant Governor in Council, or a provincial statute.

Public money over which the Legislature has no power of appropriation is money paid in trust to the Province to be used for the purposes prescribed by the payer or settlor. Money otherwise specially disposed of by legislation represents fees or other revenues directed by legislation to be paid into a regulated fund to be used for special purposes. All other public money is paid into the General Revenue Fund.

Expenditures are made from the General Revenue Fund on the authority of supply votes approved by the Legislature, including special warrants ordered by the Lieutenant Governor in Council which are deemed to be supply votes. These expenditures are reported in the General Revenue Fund financial statements as budgetary expenditure - voted appropriations.

Expenditures may be made from the General Revenue Fund on the authority of legislation which may direct the transfer of revenue to another fund, shown in the financial statements as a reduction of budgetary revenue; or which directs certain types of expenditure which are disclosed as budgetary expenditure - statutory appropriations.

The term "Budgetary" is used to describe revenue or expenditure that affects General Revenue Fund "Net Assets". Non-budgetary transactions affect financial claims or liabilities recorded in the General Revenue Fund Statement of Reported Assets, Liabilities and Net Assets but do not change the "Net Assets" or surplus position.

Consolidated Financial Statements

The consolidated financial statements aggregate the financial operations and results of the General Revenue Fund, the Alberta Heritage Savings Trust Fund, other regulated funds, revolving funds, and certain provincial corporations and committees. These statements provide comprehensive information regarding the Province's overall financial operations. This information is not readily apparent from examination of the financial statements of each separate entity. A more detailed explanation of accounting policies used in the preparation of the consolidated statements is provided in the notes to the financial statements.

General Revenue Fund

Statement of Reported Assets, Liabilities and Net Assets
March 31, 1984

	In thousands	
	1984	1983
Assets		
Cash and term deposits	[illegible]	$ 728,855
Accounts receivable	[illegible]	744,491
Investments - marketable securities (Schedule 1)	[illegible]	556,727
Investments - long term (Schedule 2)	[illegible]	96,137
Loans and advances to government enterprises (Schedule 3)	[illegible]	50,040
Loans and advances - other (Schedule 4)	[illegible]	42,552
	[illegible]	$2,218,802
Liabilities and Net Assets		
Liabilities		
Accounts and loans payable	$ [illegible]	$1,102,690
Unearned revenue and suspense (Schedule 5)	[illegible]	56,670
Unmatured debt (Schedule 6)	[illegible]	778,483
	[illegible]	1,937,843
Net Assets		
Net assets at beginning of year		
As previously reported	[illegible]	2,335,754
Prior period adjustment (Note 2)	[illegible]	—
As restated	[illegible]	2,335,754
Budgetary deficit	[illegible]	2,054,795
Net assets at end of year	[illegible]	280,959
	[illegible]	$2,218,802
Guarantees and indemnities (Schedule 10)	$ [illegible]	$ 384,123

See accompanying notes to the financial statements.

Statement of Budgetary Revenue and Expenditure
For the Year Ended March 31, 1984

In thousands

	1984 Budget(a)		1983 Actual
Budgetary revenue (Schedule 7):			
General revenue:			
Taxes	$1,727,000		$1,728,020
Non-renewable resource revenue	4,045,000		2,821,050
Payments from Government of Canada	964,000		922,175
Fees, permits and licences	183,000		144,683
Utility and trading profits	272,000		236,479
Other	149,000		360,653
	7,340,000		6,213,060
Heritage Fund investment income	1,500,000		865,720
	8,840,000		7,078,780
Budgetary expenditure (Schedule 8):			
Health	2,406,022		2,106,718
Education	2,032,414		1,924,129
Social services	1,153,547		918,450
Regional planning and development	310,930		304,474
Housing	495,008		307,858
Recreation and culture	151,829		197,656
Environment	95,705		138,142
Resource conservation and industrial development	699,166		980,448
Transportation and utilities	1,137,676		1,238,444
Protection of persons and property	369,631		328,570
General government	799,915		738,296
Salary contingency	110,000	—	—
	9,761,843		9,183,185
Voted appropriations	9,548,743		9,044,757
Statutory appropriations	213,100		138,428
	9,761,843		9,183,185
Valuation adjustments (Schedule 9)	4,250		(49,610)
	9,766,093		9,133,575
Budgetary deficit	$ 926,093		$2,054,795

(a) Budgetary expenditure - voted appropriations includes supplementary estimates of $127,810,000 and is reduced by $68,993,000 voted for investment purposes.

Statement of Changes in Financial Position
For the Year Ended March 31, 1984

	In thousands	
	1984	1983
Funds were provided by:		
Disposals, repayments and redemptions of investments:		
Marketable securities	[illegible]	$ 431,253
Long term	[illegible]	—
Repayments of loans and advances:		
Government enterprises	[illegible]	38,023
Other	[illegible]	6,899
Issue of:		
91 day Treasury bills	[illegible]	1,866,157
Promissory notes	[illegible]	500,000
	[illegible]	2,842,332
Funds were required for:		
Budgetary deficit	[illegible]	2,054,795
Add (deduct) non-cash items:		
Amortization of discount on investments and debt, net	[illegible]	(42,683)
Amortization of deferred realized gains and losses on sinking fund investments	[illegible]	(211)
Earnings (loss) on investments valued at equity	[illegible]	226
Decrease (increase) in provision to reduce investments to aggregate market value	[illegible]	90,219
Increase in provision for exchange on debt payable in United States funds	[illegible]	(108)
Increase in provision for doubtful accounts and loans	[illegible]	(40,501)
Funds required for (provided by) budgetary operations	[illegible]	2,061,737
Purchase of long term investments	[illegible]	36,120
Loans and advances:		
Government enterprises	[illegible]	39,566
Other	[illegible]	4,005
Debt retirement:		
Redemption of:		
91 day Treasury bills	[illegible]	1,270,000
Promissory notes	[illegible]	500,000
Sinking fund	[illegible]	12,963
Deferred realized gains and losses on sinking fund investments	[illegible]	(129)
Unearned revenue and suspense	[illegible]	4,094
	[illegible]	3,928,356
Net funds required	[illegible]	1,086,024
Add (deduct):		
Increase (decrease) in receivables	[illegible]	(186,847)
Decrease (increase) in payables	[illegible]	(360,959)
	[illegible]	(547,806)
Decrease in cash and term deposits	[illegible]	$ 538,218

Notes to the Financial Statements

Note 1
Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies:

(a) Reporting entity

The reporting entity is the General Revenue Fund. Activities of Provincial agencies and regulated funds are reported only to the extent of advances made from or repaid to the General Revenue Fund, contributions from the General Revenue Fund to cover expenses or operating deficits and repayments of contributions in excess of current requirements. Financial claims of and on revolving funds are included in the General Revenue Fund statements and the net funds required to finance revolving fund operations have been charged to budgetary expenditure.

(b) Basis of financial reporting

Revenues

Budgetary revenues are reported on an accrual basis except for net personal and corporate income taxes which are reported on a cash basis. Non-renewable resource revenue includes an estimate of revenue receivable from certain categories of resource royalty payors as well as various adjustments applicable to prior years. As the need for adjustment of this revenue is identified in future years, the adjustment will be reflected in revenue of those years.

Expenditures

Expenditures represent the cost of goods and services acquired during the year and expenditures made or accrued in accordance with the conditions of approved grant programmes, including capital acquisitions, expenditures on capital programmes and grants for capital purposes.

Pension costs are reported on a current contributions basis and no provision is made for actuarial estimates of additional annual costs.

No provision is made for accrued employee vacation entitlements.

Reported assets and liabilities

Reported assets are limited to financial claims due to the General Revenue Fund and revolving funds as a result of events and transactions prior to March 31, 1984 except that net personal and corporate income taxes receivable are not reported.

Liabilities include all financial claims payable by the General Revenue Fund and revolving funds at March 31, 1984. No provision is made for actuarial estimates of liabilities in respect of the present or future benefits payable under Pension Acts with benefits directly chargeable to or guaranteed by the Province, accrued employee vacation entitlements, amounts payable under the Alberta Income Tax Act, the Alberta Corporate Income Tax Act, commitments under construction or other contracts and agreements at the year end, including capital equipment leases.

Marketable securities are valued at cost or market value, whichever is lower, on an aggregate basis.

Long term investments are recorded at cost, except for investments in wholly owned Provincial corporations operated as commercial enterprises which are valued on an equity basis.

Sinking fund investments are carried at adjusted cost which includes deferred unamortized realized gains and losses. Realized gains and losses on disposals of sinking fund investments are considered to be an adjustment of future portfolio yield and are deferred and amortized on a straight line basis over the lesser of the remaining term to maturity of the investment disposed of or ten years.

Debentures included in unmatured debt are recorded at face amount of the issue plus a provision for exchange on debt payable in United States funds at the March 31 rate of exchange, less sinking fund assets. 91 day Treasury bills and promissory notes are recorded at issue principal less unamortized discount, where applicable.

Consistent with the reporting of capital acquisitions as expenditure, fixed assets are not reported.

Note 2
Prior Period Adjustment

In the 1982-83 financial statements the allocation of non-renewable resource revenue to the Alberta Heritage Savings Trust Fund was understated by $7,019,000. This error has been corrected retroactively, with the effect that budgetary revenue in 1982-83 has been reduced from $7,085,799,000 to $7,078,780,000, the 1982-83 budgetary deficit has been increased from $2,047,776,000 to $2,054,795,000, and accounts receivable at March 31, 1983 have been reduced from $751,510,000 to $744,491,000.

Note 3
Pension Liabilities and Commitments

Pension receipts and pension payments are recorded initially in the General Revenue Fund and subsequently transferred to the Pension Fund, pursuant to section 5 of the Pension Fund Act. The Act provides that payments in excess of Pension Fund net assets are to be charged to the General Revenue Fund. Pension Fund net assets at March 31, 1984 amounted to $2,153,923,000 (1983 - $1,766,352,000).

Actuarial valuations of the above Pension Acts were carried out at March 31, 1984 and estimated accrued liabilities were as undernoted.

Local Authorities Pension Act	$2,073,938,000
M.L.A. Pension Act	23,948,000
Public Service Management Pension Act	717,301,000
Public Service Pension Act	1,252,529,000
Special Forces Pension Act	261,211,000
Universities Academic Pension Act	547,730,000
Total liability	4,876,657,000
Less Pension Fund balance at March 31, 1984	2,153,923,000
Unfunded accrued liability	$2,722,734,000

The above figures were estimated by calculating the present value, at March 31, 1984, of benefits that accrued in respect of service to that date. The valuations were based on a common set of economic assumptions, including rate of salary increases due to inflation, interest rates and rates of discretionary cost of living increases for present and future retired members. Demographic assumptions used in estimating the above liabilities, including mortality, termination, retirement, and marital status and salary increases due to promotion and merit, varied from plan to plan according to the particular characteristics of each plan.

The previous actuarial valuation at March 31, 1981 estimated the accrued liability at that date to be $4,113,998,000. That amount was reported at March 31, 1982 and 1983. The actuarial consultants who performed the 1981 valuation and the current actuarial consultants to the Government concur that the liability was overstated in aggregate in the range of 15% to 25%.

Under provisions of the Teachers' Retirement Fund Act, payment of all benefits is guaranteed by the Province of Alberta. An actuarial valuation at August 31, 1983 indicated that Teachers' Retirement Fund assets were insufficient by an amount of approximately $1,332,500,000 to meet the liabilities of the fund. The actuarial valuation was based on a different set of assumptions to those used for the above Pension Acts. The unfunded accrued liability at March 31, 1984 is estimated at approximately $1,380,000,000.

Note 4
Contingent Liabilities

The Province has a contingent liability in respect of a statement of claim issued on February 19, 1982. The plaintiffs are the members of the Lubicon Lake Band and the Cree Community of Little Buffalo Lake. The defendants are the Province of Alberta and a number of oil companies. The plaintiffs claim entitlement to at least 60 square miles of land in Northwestern Alberta as a reserve. They are also claiming $700,000,000 in lieu of royalties and revenues, or alternatively a reserve of 60 square miles including mines and minerals together with $200,000,000 damages, and interest on all amounts.

The Province has a contingent liability in respect of a statement of claim filed by eight Metis Settlement Associations. On February 2, 1977 it was contended that the Province had received approximately $30,000,000 from the sale, lease or rental, royalties and fees from the petroleum and natural gas rights on certain lands and that the Associations were entitled to the aforesaid monies as well as all monies thereafter accruing from these petroleum and natural gas rights.

The Province also has a contingent liability in respect of three other native land or mineral rights claims in which the amounts claimed are unspecified.

At March 31, 1984 the Province was named as defendant in various

legal actions in addition to those noted above. The total claimed in specific legal actions amounts to approximately $74,437,000. Potential claims amount to approximately $596,000. The resulting loss, if any, from these claims and potential claims cannot be determined.

The Province has a contingent liability to return to Indian Bands its share of oil export tax relating to the period October 1, 1973 to March 31, 1974 in respect of oil production from Indian lands. The Province is committed to return its share of oil export tax, which amounts to approximately $4,650,000, if the federal government makes a similar decision in respect of its share.

Details of guarantees and indemnities are shown in Schedule 10.

No provision has been made in the financial statements for contingent liabilities resulting from litigation, guarantees and indemnities.

Note 5
Comparative Figures

The 1983 figures have been restated where necessary to conform to the 1984 presentation.

Schedules to the Financial Statements

Schedule 1
Investments — Marketable Securities

	In thousands			
	1984		1983	
	Cost	Market Value	Cost	Market Value
Bonds and Debentures:				
Government of Canada, direct and guaranteed	$ 30,822	$ 23,388	$ 48,707	$ 44,258
Province of Alberta, direct and guaranteed	288,957	308,981	288,403	333,590
Other provinces, direct and guaranteed	74,722	56,072	113,022	100,082
Board of Governors of the University of Alberta	5,142	4,870	5,185	5,159
Municipal	3,390	2,128	4,116	2,856
School districts and divisions	1,093	869	1,588	1,262
Corporate	9,212	7,793	18,879	18,107
	413,338	404,101	479,900	505,314
Mortgages	19,594	18,522	55,936	54,229
Long term promissory notes	1,344	1,282	20,891	20,748
	$434,276	$423,905	$556,727	$580,291

Schedule 2
Investments — Long Term

	In thousands	
	1984	1983
Alberta Municipal Financing Corporation Class A shares, at cost	$ 45	$ 45
Chembiomed Ltd. preferred shares, at cost	3,369	2,900
Global Thermoelectric Power Systems Ltd. preferred shares, at cost	1,690	849
Native Venture Capital Co. Ltd.		
Class A common shares, at cost	10	10
Class B common shares, at cost	10	10
Class A preferred shares, at cost	1,980	1,980
Pacific Western Airlines Corporation common shares, at cost	11,627	37,561
Ridley Grain Ltd. non-interest bearing participating series A debenture, at cost	79,344	37,500
Total at cost	98,075	80,855
Alberta Terminals Ltd. common shares, at equity (a)	18,083	15,282
Total at equity	18,083	15,282
	$116,158	$ 96,137

(a) The investment in Alberta Terminals Ltd., representing 100% of the outstanding voting shares, is valued at equity, being cost adjusted for post-acquisition operating results. Equity at March 31, 1984 represents cost $17,528,000 (1983 - $14,661,000) plus retained earnings of $555,000 (1983 - $621,000).

Schedule 3
Loans and Advances to Government Enterprises

	In thousands	
	1984	1983
Loan Funds:		
Rural Electrification Revolving Fund	$ 46,436	$43,959
Students Loan Fund	326	342
Municipal Loans Revolving Fund	182	371
Homestead Lease Loan Fund	8	657
	46,952	45,329
Other Regulated Funds and Agencies:		
Alberta Housing Corporation	318,000	—
Alberta Resources Railway Corporation	9,429	9,429
Motion Picture Development Fund	3,000	3,000
Alberta Hail and Crop Insurance Corporation	2,245	1,726
Alberta Opportunity Company	312	312
Public Trustee	24	24
	333,010	14,491
	379,962	59,820
Less allowance for doubtful loans and advances	9,765	9,780
	$370,197	$50,040

Schedule 4
Loans and Advances - Other

	In thousands	
	1984	1983
Advances under the Municipal Land Loans Act - cities	$17,137	$18,298
Accountable advances	11,137	10,414
Guarantees implemented	4,209	2,479
Airport terminal costs recoverable from the Government of Canada	3,833	3,907
University of Alberta Students' Union	2,576	2,675
Chembiomed Ltd.	2,125	1,000
Global Thermoelectric Power Systems Ltd.	1,727	537
Canadian Co-operative Implements Ltd.	1,575	1,575
Foothills Provincial General Hospital	1,500	1,500
Judgement debts	1,422	1,168
University of Calgary Students' Union	1,420	1,470
Rural gas co-operative lien notes implemented	1,258	—
General Systems Research Ltd.	1,000	—
University of Alberta Hospital	900	900
Advances under water transmission pipeline agreements	818	818
Provincial Cancer Hospitals	451	451
Glenrose Provincial General Hospital	350	350
Advances under the Cemeteries Act	85	85
Miscellaneous	3	3
	53,526	47,630
Less allowance for doubtful loans and advances	8,846	5,078
	$44,680	$42,552

Schedule 5
Unearned Revenue and Suspense

	In thousands 1984	1983
Unearned Revenue:		
Cash on hand or in transit in respect of revenue of the next fiscal year	$67,064	$55,424
Suspense:		
Cash on hand or in transit which will be disbursed to other funds, refunded or credited to revenue of the next fiscal year	2,081	1,246
	$69,145	$56,670

Schedule 6
Unmatured Debt

Date of Issue	Date of Maturity	Principal Outstanding	In thousands Deduct Sinking Fund Assets	Net Unmatured Debt 1984	1983
Debentures:					
Canada Pension Plan Investment Fund					
July 4, 1972	July 4, 1992	$ 9,107	$ 3,780	$ 5,327	$ 5,917
Aug. 1, 1972	Aug. 1, 1992	7,520	3,099	4,421	4,906
Sept. 1, 1972	Sept. 1, 1992	8,402	3,438	4,964	5,504
Oct. 2, 1972	Oct. 2, 1992	5,724	2,326	3,398	3,765
Nov. 1, 1972	Nov. 1, 1992	5,947	2,399	3,548	3,928
Dec. 1, 1972	Dec. 1, 1992	5,484	2,196	3,288	3,637
Other					
Dec. 2, 1968	Dec. 2, 1988	12,500	6,772	5,728	6,662
Apr. 15, 1970	Apr. 15, 1990	3,000	1,480	1,520	1,733
Nov. 16, 1970	Nov. 16, 1990	35,000	16,538	18,462	20,886
Jun. 15, 1971	Jun. 15, 1991	25,000	11,299	13,701	15,394
Oct. 15, 1971	Oct. 15, 1991	50,000	22,007	27,993	31,330
Mar. 31, 1972	Mar. 31, 1992	4,000	1,696	2,304	2,566
Dec. 1, 1967	Dec. 1, 1992	20,000	11,541	8,459	10,006
Mar. 1, 1969	Mar. 1, 1994	38,295(a)	20,407	17,888	20,029
		$229,979	$108,978	121,001	136,263
91 day Treasury bills				650,000	650,000
Less unamortized discount				8,029	7,780
				641,971	642,220
Promissory notes				155,000	—
Less unamortized discount				744	—
				154,256	—
				$917,228	$778,483

(a) Includes provision for exchange at year end on debentures payable in United States funds (U.S. $30,000,000).

Schedule 7
Budgetary Revenue

In thousands

	1984		1983
	Budget	Revenue	Revenue
Taxes:			
Personal income tax, net	$1,518,000	$1,481,267	$1,650,142
Corporate income tax	506,000	730,840	565,727
Less royalty tax credit	(657,000)	(573,773)	(728,238)
Freehold mineral rights tax	182,000	159,953	155,897
Pari-mutuel tax	13,000	10,797	11,907
Tobacco tax	125,000	98,609	32,606
Other	40,000	39,559	39,979
	1,727,000	1,942,252	1,728,020
Non-Renewable Resource Revenue:			
Crude oil royalty	2,550,000	2,872,913	2,337,887
Natural gas and by-products royalty	2,237,000	1,694,091	1,876,362
Synthetic crude oil royalty	296,000	303,830	362,340
Coal royalty	6,000	10,786	13,950
Rentals and fees	109,000	91,661	102,077
Bonuses and sales of Crown leases	400,000	486,981	336,500
Exploratory drilling and geophysical incentive credits	(146,000)	(73,897)	(178,923)
Allocation to Alberta Petroleum Incentives Program Fund	(500,000)	(369,696)	(684,321)
	4,952,000	5,016,669	4,165,872
Allocation to Alberta Heritage Savings Trust Fund (a)	(743,000)	(756,688)	(1,243,509)
Allocation to Natural Gas Rebates Fund	(164,000)	(107,175)	(101,313)
	4,045,000	4,152,806	2,821,050
Payments from Government of Canada:			
Hospital insurance	244,000	253,302	207,376
Canada assistance plan	375,000	318,909	306,784
Post-secondary education	156,000	149,972	131,938
Training of manpower	43,000	46,264	43,385
Extended health care	86,000	88,393	77,102
Oil export charge	10,000	85,775	100,712
Other	50,000	33,685	54,878
	964,000	976,300	922,175
Fees, Permits and Licences:			
Motor vehicle licences	83,000	69,241	52,257
Land titles	25,000	20,643	21,365
Timber rentals and fees	11,000	16,864	10,978
Other	64,000	59,928	60,083
	183,000	166,676	144,683
Utility and Trading Profits:			
Alberta Liquor Control Board	270,000	308,500	236,300
Other	2,000	11,507	179
	272,000	320,007	236,479
Other Revenue:			
Investment income	59,000	147,076	237,538
Refunds of expenditure	42,000	49,922	59,237
Fines and penalties	23,000	21,096	18,609
Sales of assets	12,000	3,423	17,905
Miscellaneous	13,000	33,598	27,364
	149,000	255,115	360,653
Total general revenue	7,340,000	7,813,156	6,213,060
Heritage Fund investment income	1,500,000	1,469,217	865,720
Total revenue	$8,840,000	$9,282,373	$7,078,780

Schedule 7
Budgetary Revenue
(cont'd)

(a) The following table shows how the allocation of non-renewable resource revenue to the Alberta Heritage Savings Trust Fund for the fiscal years ended March 31, 1983 and 1984 was calculated. The table includes an analysis of the allocation and a reconciliation to the transfer reported by the Alberta Heritage Savings Trust Fund.

	In thousands	
	1984	1983
Net non-renewable resource revenue before allocation (i)	$5,016,669	$4,165,872
Allocation		
— 15% (1983- 30%) of preceding total (i)	752,501	1,249,762
— 15% of unearned revenue at March 31, 1983 (i)	4,187	—
— 15% reduction applicable to accrued revenue (i)	—	(6,253)
Net allocation	$ 756,688	$1,243,509
Transferred during the year	$ 722,524	$1,245,631
Amount to be transferred (recovered) (i)	34,164	(2,122)
	756,688	1,243,509
Decrease (increase) in amount to be transferred	(36,286)	126,944
Transfer reported by the Alberta Heritage Savings Trust Fund	$ 720,402	$1,370,453

(i) These amounts are reported on an accrual basis. The transfer made to the Alberta Heritage Savings Trust Fund, pursuant to the Alberta Heritage Savings Trust Fund Act, was on a basis of cash received.

Schedule 8
Budgetary Expenditure by Department

In thousands

	1984			1983
	Original Budget(a)	Total Authorized(b)	Expenditure	Expenditure
Legislative Assembly:				
Support to the Legislative Assembly	$ 11,058	$ 11,749	$ 10,911	$ 8,305
Office of the Auditor General	9,061	9,061	8,774	8,126
Office of the Ombudsman	800	838	810	747
Office of the Chief Electoral Officer	905	905	623	6,474
	21,824	22,553	21,118	23,652
Departmental:				
Advanced Education	818,542	849,434	847,251	809,170
Agriculture	188,426	190,835	184,642	199,328
Attorney General	118,961	125,953	120,006	105,803
Consumer and Corporate Affairs	25,256	25,628	23,368	22,771
Culture	51,000	52,203	50,735	77,564
Revolving fund	(180)	(180)	(54)	151
Economic Development	28,613	29,043	26,049	26,742
Education	1,116,970	1,118,991	1,108,265	1,038,514
School Book Branch	(571)	(571)	57	(2,201)
Energy and Natural Resources	304,146	509,626	417,713	567,926
Environment	95,663	97,102	91,410	137,645
Water Resources Revolving Fund	42	42	(12)	496
Executive Council	127,923	132,712	124,838	120,289
Federal and Intergovernmental Affairs	5,441	5,614	5,410	5,030
Hospitals and Medical Care	2,200,047	2,240,004	2,095,278	1,899,555
Alberta Health Care Insurance Act	—	—	—	7,889
Housing	495,009	588,162	544,707	307,858
Labour	25,261	26,116	24,741	22,629
Manpower	81,341	101,489	94,058	63,169
Municipal Affairs	371,748	372,995	343,411	305,141
Public Works, Supply and Services	532,081	542,503	452,002	552,809
Revolving fund	1,654	1,654	698	(8,414)
Recreation and Parks	101,008	101,611	94,822	119,941
Social Services and Community Health	1,212,942	1,241,800	1,094,327	1,019,709
Solicitor General	207,871	209,576	201,131	184,103
Tourism and Small Business	50,903	56,783	52,227	74,754
Transportation	854,299	855,221	851,025	967,634
Revolving fund	12,839	12,839	(21,152)	(1,155)
Treasury	132,737	132,775	117,625	121,748
Statutory appropriations	199,509	199,509	111,835	140,990
Utilities and Telecommunications	270,731	270,798	234,762	271,293
Gas Alberta Operating Fund	(193)	(193)	(332)	672
Salary contingency	110,000	57,422	—	—
	9,740,019	10,147,496	9,290,843	9,159,533
Total expenditure	$9,761,843	$10,170,049	$9,311,961	$9,183,185
Summary:				
Voted appropriations	$9,548,743	$ 9,956,949	$9,220,921	$9,044,757
Statutory appropriations	213,100	213,100	91,040	138,428
	$9,761,843	$10,170,049	$9,311,961	$9,183,185

(a) Reduced by $68,993,000 voted for investment purposes.
(b) Reduced by $69,993,000 authorized for investment purposes.

Schedule 9
Budgetary Expenditure — Valuation Adjustments

	In thousands		
	1984		1983
	Budget	Expenditure	Expenditure
Provision for doubtful accounts and loans	$4,000	$18,137	$40,501
Provision for reduction of investments to market	—	10,371	(90,219)
Provision for exchange on debt payable in United States funds	250	1,278	108
	$4,250	$29,786	$(49,610)

Schedule 10
Guarantees and Indemnities

Guarantees of debt obligations and indemnities that, if implemented, would be a charge on the General Revenue Fund are as follows:

	In thousands	
	1984	1983
Guarantees:		
Debentures:		
AEC Power Ltd.	$221,690	$237,474
Vencap Equities Alberta Ltd.	40,000	—
	261,690	237,474
Bank, Treasury Branch and Credit Union Loans:		
Corporations and individuals under various government programmes	141,288	111,170
Other:		
Federal loans	18,292	18,614
Mortgage loans	7,742	7,865
	26,034	26,479
Indemnities:		
Time Air Limited	9,000	9,000
Total	$438,012	$384,123

The above amounts exclude guaranteed liabilities of government entities described in the table below, net of sinking funds and intra-governmental holdings:

	In thousands	
	1984	1983
Treasury Branches Deposits Fund	$3,252,773	$2,829,053
Alberta Municipal Financing Corporation	2,600,528	2,470,851
Alberta Government Telephones Commission	483,223	287,821
Alberta Housing Corporation	113,942	115,661
Alberta Home Mortgage Corporation	45,779	9,505
	$6,496,245	$5,712,891

Schedule 10
Guarantees and Indemnities
(cont'd)

The Treasury Branches Deposits Fund and Alberta Municipal Financing Corporation have substantial financial assets to meet their liabilities. At March 31, 1984 the Treasury Branches Deposits Fund had financial assets of $3,317,182,000 to meet guaranteed deposits of $3,365,974,000 (1983 - $2,853,112,000 and $2,893,484,000), and Alberta Municipal Financing Corporation had financial assets of $4,587,620,000 to meet guaranteed debenture debt, net of sinking funds, of $4,316,989,000 (1983 - $4,323,997,000 and $4,189,652,000).

Province of Alberta

Consolidated Statement of Reported Assets, Liabilities and Net Assets
March 31, 1984

	In thousands 1984	1983
Assets		
Cash and term deposits		$ 2,296,885
Accounts receivable		2,131,244
Marketable securities (Schedule 1)		548,480
Portfolio investments (Schedule 2)		3,781,256
Long term investments (Schedule 3)		568,913
Equity in commercial enterprises (Schedule 4)		1,871,063
Loans and advances (Schedule 5)		7,800,333
		$18,998,174
Liabilities and Net Assets		
Liabilities		
Accounts and loans payable		$ 2,313,840
Unearned revenue and suspense		59,273
Unmatured debt (Schedule 6)		3,325,763
Reserve - mortgage insurance fund		37,406
Restricted profits and equity (Schedule 7)		1,991,874
		7,728,156
Net Assets		
Net assets at beginning of year		12,063,806
Net revenue (expenditure)		(793,788)
Net assets at end of year		11,270,018
		$18,998,174
Guarantees and indemnities (Schedule 11)		$ 453,880
Trust funds under administration		$ 1,260,065

See accompanying notes to the financial statements.

Consolidated Statement of Revenue and Expenditure
For the Year Ended March 31, 1984

	In thousands 1984	1983
Revenue (Schedule 8):		
Taxes		$ 1,922,237
Non-renewable resource revenue		4,850,193
Payments from Government of Canada		1,166,638
Fees, permits and licences		385,851
Utility and trading profits		220,293
Investment income		1,822,794
Other		182,182
		10,550,188
Expenditure (Schedules 9 and 10):		
Health		2,437,849
Education		2,100,914
Social services		918,450
Regional planning and development		624,638
Housing		474,725
Recreation and culture		268,901
Environment		204,581
Resource conservation and industrial development		1,827,455
Transportation and utilities		1,520,823
Protection of persons and property		339,941
General government		737,299
		11,455,576
Valuation adjustments		(111,600)
		11,343,976
Net revenue (expenditure)		$ (793,788)

Consolidated Statement of Changes in Financial Position
For the Year Ended March 31, 1984

	In thousands	
	1984	1983
Funds were provided by:		
Net revenue (expenditure)		$ (793,788)
Non-cash items:		
Loss retained by commercial enterprises		22,898
Provision for doubtful accounts and loans		60,077
Provision to reduce marketable securities to aggregate market value and write-down of portfolio investments		(171,785)
Provision for exchange on debt payable in United States funds		108
Amortization of discount and premium on investments and debt, net		(105,324)
Amortization of deferred realized gains and losses		1,008
Funds provided by (required for) operations		(986,806)
Debt issues		2,572,859
Disposals, repayments and redemptions of investments:		
Portfolio investments		2,409,995
Equity in commercial enterprises		137,672
Long term investments		229,105
Marketable securities, net		473,446
Restricted profits and equity		408,045
Repayment of loans and advances		175,335
Reserve - mortgage insurance fund		10,565
Deferred realized gains and losses		9,720
Unearned revenue and suspense		(7,245)
		5,432,691
Funds were required for:		
Debt retirement		1,380,309
Investments:		
Portfolio investments		2,906,475
Long term investments		233,932
Equity in commercial enterprises		246,547
Loans and advances		2,002,885
		6,770,148
Net funds required		1,337,457
Add (deduct):		
Increase in receivables		168,906
Decrease (increase) in payables		(762,292)
		(593,386)
Decrease in cash and term deposits		$ 744,071

Notes to the Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies:

(a) Reporting entity

These financial statements are consolidations of the financial statements of the General Revenue Fund, revolving funds, regulated funds, Provincial corporations, Provincial committees and commercial enterprises for which separate financial statements and summaries are presented in Volume 1 of the Public Accounts of Alberta, 1983-84.

Under the Financial Administration Act, Alberta Energy Company Ltd., in which the Province holds 45% of the voting shares, does not come under the definition of Provincial corporation. The Province's investment in that company is included in long term investments at cost. Housing authorities incorporated under section 39 of the Alberta Housing Act and new towns incorporated under section 5 of the New Towns Act are excluded from the definition of Provincial corporation. Accordingly the accounts of housing authorities and new towns are not included in the consolidated financial statements.

The following corporations are excluded from the definition of Provincial corporation and are exempted from all other provisions of the Financial Administration Act except section 2, which provides the exemption, and section 81 respecting the approval of borrowing by the Provincial Treasurer. Accordingly their accounts are excluded from the Public Accounts and the consolidated financial statements.

(a) The board of a university under the Universities Act
(b) The interim governing body of a university under the Universities Act
(c) The board of a public college under the Colleges Act
(d) The Governors of the Banff Centre for Continuing Education
(e) The board of a technical institute under the Technical Institutes Act
(f) The interim governing authority of a technical institute under the Technical Institutes Act
(g) The Alberta Heritage Foundation for Medical Research
(h) The board of management of a Provincial General Hospital under the Provincial General Hospitals Act
(i) A mental health hospital board under the Mental Health Act
(j) The Provincial Cancer Board, and
(k) The University Hospitals Board under the University of Alberta Hospitals Act

(b) Method of consolidation

The accounts of revolving funds, regulated funds, Provincial corporations, except those designated as commercial enterprises, and Provincial committees are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Inter fund, corporation and committee revenue and expenditure

transactions, financing transactions and related asset and liability accounts have been eliminated.

The accounts of commercial enterprises are recorded on an equity basis, the equity being computed in accordance with generally accepted accounting practices applicable to those enterprises.

The reporting period of seven of the Provincial corporations is for the year ended December 31,1983. Where the transactions of those corporations significantly affect the consolidation, they have been restated to March 31, 1984.

(c) Basis of financial reporting

Revenues

Revenues are reported on an accrual basis except for net personal and corporate income taxes which are reported on a cash basis. Non-renewable resource revenue includes an estimate of revenue receivable from certain categories of resource royalty payors as well as various adjustments applicable to prior years. As the need for adjustment of this revenue is identified in future years, the adjustment will be reflected in revenue of those years.

Expenditures

Expenditures represent the cost of goods and services acquired during the year and expenditures made or accrued in accordance with the conditions of approved grant programmes, including capital acquisitions, expenditures on capital programmes and grants for capital purposes.

Pension costs are reported on a current contributions basis and no provision is made for actuarial estimates of additional annual costs.

No provision is made for accrued employee vacation entitlements.

Reported Assets and Liabilities

Reported assets are limited to financial claims on outside organizations and individuals as a result of events and transactions prior to March 31, 1984 except that net personal and corporate income taxes receivable are not reported.

Liabilities include all financial claims payable by the Province at March 31, 1984. No provision is made for actuarial estimates of liabilities in respect of the present or future benefits payable under Pension Acts with benefits directly chargeable to or guaranteed by the Province, other than the amount of $2,153,923,000 (1983 - $1,766,352,000) included in restricted profits and equity (see below). No provision is made for accrued employee vacation entitlements, amounts payable under the Alberta Income Tax Act, the Alberta Corporate Income Tax Act, commitments under construction or other contracts and agreements at the year end, including capital equipment leases.

Marketable securities are temporary investments; they are valued at cost or market value, whichever is lower, on an aggregate basis.

Portfolio investments are investments that are required to meet specific future obligations or to provide income over a long period.

Bonds, bond coupons and residuals, mid-term money market securities and mortgages included in portfolio investments are carried at cost adjusted for deferred unamortized realized gains and losses. Realized gains and losses on disposals of these investments are considered to be an adjustment of future portfolio yield and are deferred and amortized on a straight line basis over the lesser of the remaining term to maturity of the investment disposed of or ten years.

Common shares, preferred shares and warrants, and real estate and energy fund units included in portfolio investments are carried at cost. Real estate is carried at cost less amortization. Amortization is provided by charging to investment income amounts which increase annually, consisting of fixed annual sums together with interest compounded at the rate of five per cent per annum, so as to amortize the cost of the underlying buildings over a period of forty years. Amortization commences in the year following the year in which the real estate is acquired. Realized gains and losses on disposals of these investments are included in the determination of net revenue.

Where there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Long term investments are those that are intended to be held as long term assets; they are recorded at cost.

Debentures included in unmatured debt are recorded at face amount of the issue plus a provision for exchange on debt payable in United States funds at the March 31 rate of exchange, less sinking fund assets. Sinking fund investments are carried on the same valuation basis as portfolio investments, at cost or adjusted cost. 91 day Treasury bills and promissory notes are recorded at issue principal less unamortized discount, where applicable.

The reserve - mortgage insurance fund is to insure against losses on mortgages held by the Alberta Home Mortgage Corporation. Restricted profits and equity refers to the profits and equity of a Provincial corporation and a regulated fund included in the consolidated financial statements which are restricted by legislation and are therefore excluded from net assets of the Province.

Cash, term deposits, accounts receivable, accounts payable and debenture debt denominated in foreign currency are translated at the rate of exchange in effect at the balance sheet date. Investments and revenue items are translated at historical exchange rates.

Gains and losses arising from the translation of foreign currencies are included in the determination of net revenue except that unrealized exchange gains or losses relating to hedged monetary assets are deferred, and unrealized exchange gains and losses on forward exchange contracts which do not serve to hedge monetary assets are

deferred and amortized over the term of the contracts. Amounts deferred are included in accounts payable.

Consistent with the reporting of capital acquisitions as expenditure, fixed assets are not reported.

Note 2
Pension Liabilities and Commitments

The Pension Fund is a regulated fund established for the purpose of assisting the Government to meet its liability under guarantees of pensions under the six pension plans administered by the Government and referred to by authorizing Act in the table below.

Actuarial valuations of these pension plans were carried out at March 31, 1984 and estimated accrued liabilities were as undernoted.

Local Authorities Pension Act	$2,073,938,000
M.L.A. Pension Act	23,948,000
Public Service Management Pension Act	717,301,000
Public Service Pension Act	1,252,529,000
Special Forces Pension Act	261,211,000
Universities Academic Pension Act	547,730,000
Total liability	4,876,657,000
Less Pension Fund balance included in restricted profits and equity at March 31, 1984	2,153,923,000
Unfunded accrued liability	$2,722,734,000

The above figures were estimated by calculating the present value, at March 31, 1984, of benefits that accrued in respect of service to that date. The valuations were based on a common set of economic assumptions, including rate of salary increases due to inflation, interest rates and rates of discretionary cost of living increases for present and future retired members. Demographic assumptions used in estimating the above liabilities, including mortality, termination, retirement, and marital status and salary increases due to promotion and merit, varied from plan to plan according to the particular characteristics of each plan.

The previous actuarial valuation at March 31, 1981 estimated the accrued liability at that date to be $4,113,998,000. That amount was reported at March 31, 1982 and 1983. The actuarial consultants who performed the 1981 valuation and the current actuarial consultants to the Government concur that the liability was overstated in aggregate in the range of 15% to 25%.

Under provisions of the Teachers' Retirement Fund Act, payment of all benefits is guaranteed by the Province of Alberta. An actuarial valuation at August 31, 1983 indicated that Teachers' Retirement Fund assets were insufficient by an amount of approximately $1,332,500,000 to meet the liabilities of the fund. The actuarial valuation was based on a different set of assumptions to those used for the above Pension Acts. The unfunded accrued liability at March 31, 1984 is estimated at approximately $1,380,000,000.

Note 3
Contingent Liabilities

The Province has a contingent liability in respect of a statement of claim issued on February 19, 1982. The plaintiffs are the members of the Lubicon Lake Band and the Cree Community of Little Buffalo Lake. The defendants are the Province of Alberta and a number of oil companies. The plaintiffs claim entitlement to at least 60 square miles of land in Northwestern Alberta as a reserve. They are also claiming $700,000,000 in lieu of royalties and revenues, or alternatively a reserve of 60 square miles including mines and minerals together with $200,000,000 damages, and interest on all amounts.

The Province has a contingent liability in respect of a statement of claim filed by eight Metis Settlement Associations. On February 2, 1977 it was contended that the Province had received approximately $30,000,000 from the sale, lease or rental, royalties and fees from the petroleum and natural gas rights on certain lands and that the Associations were entitled to the aforesaid monies as well as all monies thereafter accruing from these petroleum and natural gas rights.

The Province also has a contingent liability in respect of three other native land or mineral rights claims in which the amounts claimed are unspecified.

Claims pending at March 31, 1984 in respect of land acquisitons by the Capital Projects Division of the Alberta Heritage Savings Trust Fund, excluding interest and costs if any, exceed amounts expended by approximately $47,400,000. The actual liability cannot be determined until expropriation proceedings are completed.

On February 10, 1984 the City of Edmonton filed a Statement of Claim against the Alberta Government Telephones Commission alleging inadequate payment from toll revenue involving customers served by 'edmonton telephones'. The amount claimed is $116,860,000 plus interest. Since February 14, 1984, 'edmonton telephones', under direction from the City of Edmonton, has been withholding information relating to toll messages originating from customers within the City of Edmonton. The Commission has subsequently filed a Statement of Claim against the City of Edmonton to cover potential loss of revenue and increased billing, collection and operating costs.

At March 31, 1984 the Province was named as defendant in various legal actions in addition to those noted above. The total claimed in specific legal actions amounts to approximately $91,363,000. Potential claims amount to approximately $9,016,000. The resulting loss, if any, from these claims and potential claims cannot be determined.

The Province has a contingent liability to return to Indian Bands its share of oil export tax relating to the period October 1, 1973 to March 31, 1974 in respect of oil production from Indian lands. The Province is committed to return its share of oil export tax, which amounts to approximatey $4,650,000, if the federal government makes a similar decision in respect of its share.

Details of guarantees and indemnities are shown in Schedule 11.

No provision has been made in the consolidated financial statements for contingent liabilities resulting from litigation, guarantees and indemnities.

Note 4
Comparative Figures

The 1983 figures have been restated where necessary to conform to the 1984 presentation.

Schedule 1
Marketable Securities

	In thousands			
	1984		1983	
	Book Value	Market Value	Book Value	Market Value
Bonds:				
Government of Canada, direct and guaranteed	$189,242	$148,336	$256,851	$232,233
Provincial, direct and guaranteed	179,864	137,214	220,592	190,824
Board of Governors of the University of Alberta	5,142	4,870	5,185	5,159
Municipalities, school and hospital boards	4,583	3,088	5,904	4,299
Government of the United States of America, direct	2,470	2,443	—	—
Corporate	18,421	15,306	36,890	34,312
Mortgages	19,594	18,522	55,936	54,229
Mid-term money market securities:				
Promissory notes	1,344	1,282	20,891	20,748
Guaranteed investment certificates	599	599	1,793	1,693
Bond coupons and residuals:				
Government of Canada, direct	9,882	9,817	4,983	4,983
	$431,141	$341,477	$609,025	$548,480

Schedule 2
Portfolio Investments

	In thousands			
	1984		1983	
	Book Value	Market Value	Book Value	Market Value
Bonds:				
Government of Canada, direct and guaranteed	$1,188,465	$1,176,804	$ 798,203	$ 861,562
Provincial, direct and guaranteed	1,989,868	1,853,119	2,025,256	2,068,435
Corporate	251,665	229,293	156,495	159,547
Corporate, convertible	27,198	29,516	16,057	19,588
Government of the United States of America, direct	12,765	12,187	6,359	6,950
Mid-term money market securities:				
Promissory notes	178,309	180,108	260,885	270,061
Certificates of deposit	53,995	54,460	54,212	58,563
Mortgages, participating	77,126	80,831	54,162	57,672
Bond coupons and residuals:				
Government of Canada, direct	143,913	136,666	63,056	63,217
Deferred unamortized realized gains and losses	(13,253)	—	(91)	—
	3,910,051	3,752,984	3,434,594	3,565,595
Common shares, preferred shares and warrants	581,947	709,845	339,280	430,073
Real estate	24,544	24,544	—	—
Real estate and energy fund units	7,801	8,262	7,382	7,404
	$4,524,343	$4,495,635	$3,781,256	$4,003,072

Schedule 3
Long Term Investments

	In thousands	
	1984	1983
Corporate debentures:		
Vencap Equities Alberta Ltd., participating debenture	$200,000	$ —
Ridley Grain Ltd., non interest bearing participating series A debenture	79,344	37,500
Preferred shares:		
Chembiomed Ltd.	3,369	2,900
Native Venture Capital Co. Ltd., Class A	1,980	1,980
Global Thermoelectric Power Systems Ltd.	1,690	849
Common shares:		
Alberta Energy Company Ltd.	76,759	76,759
Pacific Western Airlines Corporation	12,917	37,561
Native Venture Capital Co. Ltd., Class A	10	10
Native Venture Capital Co. Ltd., Class B	10	10
Venture equity:		
Participation in Syncrude Project	442,548	411,344
	$818,627	$568,913

Schedule 4
Equity in Commercial Enterprises

	In thousands	
	1984	1983
The Alberta Government Telephones Commission	$1,557,410	$1,800,037
Alberta Liquor Control Board	133,645	149,434
Alberta Terminals Ltd.	18,083	15,282
The Alberta General Insurance Company	(321)	(160)
Treasury Branches Deposits Fund	(34,270)	5,556
The Workers' Compensation Board	(78,767)	(99,086)
	$1,595,780	$1,871,063

Schedule 5
Loans and Advances

	In thousands	
	1984	1983
Loans and advances made under the authority of:		
Alberta Municipal Financing Corporation Act	$4,549,442	$4,195,031
Alberta Home Mortgage Corporation Act	2,699,693	2,642,476
Agricultural Development Act	862,763	730,332
Alberta Opportunity Fund Act	168,054	166,283
Rural Electrification Revolving Fund Act and Rural Electrification Long Term Financing Act	45,334	43,163
Financial Administration Act	24,468	19,321
Municipal Land Loans Act	17,137	18,298
Alberta Housing Act	10,180	10,044
Department of Transportation Act	3,833	3,907
Hail and Crop Insurance Act	1,142	978
Department of Public Works, Supply and Services Act	818	818
Motion Picture Development Act	692	352
Cancer Treatment and Prevention Act	451	451
Students Finance Act	324	368
The Municipal Capital Expenditure Loans Act	181	371
Cemeteries Act	85	85
Historical Resources Act	79	91
Recreation, Parks and Wildlife Foundation Act	35	35
Public Trustee Act	24	24
Homestead Lease Loan Act	6	12
Miscellaneous	3	3
	8,384,744	7,832,443
Implemented guarantees made under the authority of:		
Agricultural Development Act	9,646	10,639
Students Finance Act	6,809	5,483
Department of Tourism and Small Business Act	2,250	—
Feeder Associations Guarantee Act	900	860
Department of Agriculture Act	304	753
Agricultural Societies Act	292	351
Co-operative Marketing Associations and Rural Utilities Guarantee Act	138	138
	20,339	18,224
Judgement debts	1,422	1,168
	8,406,505	7,851,835
Less allowance for doubtful loans, advances, implemented guarantees and judgement debts	61,846	51,502
	$8,344,659	$7,800,333

Schedule 6
Unmatured Debt

	In thousands	
	1984	1983
Net debt issued by:		
Alberta Municipal Financing Corporation	$2,614,353	$2,484,338
General Revenue Fund	693,359	735,681
Alberta Housing Corporation	112,880	114,051
Alberta Provincial Corporation Loan Fund	100,150	—
Alberta Home Mortgage Corporation	45,779	—
Alberta Resources Railway Corporation	(13,894)	(8,307)
	$3,552,627	$3,325,763

Schedule 7
Restricted Profits and Equity

	In thousands	
	1984	1983
Profits and equity restricted by:		
Pension Fund Act:		
Equity (a)	$2,153,923	$1,766,352
Alberta Municipal Financing Corporation Act:		
Profits (b)	284,976	225,504
Equity (c)	18	18
	$2,438,917	$1,991,874

(a) Represents partial funding of liabilities under the Local Authorities Pension Act, M.L.A. Pension Act, Public Service Management Pension Act, Public Service Pension Act, Special Forces Pension Act and Universities Academic Pension Act. Details of the most recent actuarial valuations of the total liability of the Province under the above Acts are provided in Note 2.

(b) Refers to a portion of Alberta Municipal Financing Corporation's shareholders' equity which is excluded from net assets of the Province. Under the Alberta Municipal Financing Corporation Act, the Alberta Municipal Financing Corporation has "the power to pay from time to time, as a rebate of interest, any profits of the corporation to shareholders of the corporation that have borrowed moneys from the corporation or sold debentures of their own issue to the corporation, proportionately as such shareholders made use of the facilities of the corporation over the period in which any such profits were derived".

(c) Represents the cost of common shares held by municipalities, counties, cities, towns, school districts and divisions and hospital boards.

Schedule 8
Revenue

	In thousands	
	1984	1983
Taxes:		
Personal income tax, net	$ 1,481,267	$ 1,650,142
Corporate income tax	730,840	565,727
Less: Royalty tax credit	(578,773)	(728,238)
Other	518,691	434,606
	2,152,025	1,922,237
Non-Renewable Resource Revenue	5,386,365	4,850,193
Payments from Government of Canada:		
Canada assistance plan	318,909	306,784
Hospital insurance	253,302	207,376
Utility companies income tax transfers	165,793	130,901
Post-secondary education	149,972	131,938
Extended health care	88,393	77,102
Health care insurance	87,701	77,372
Oil export charge	85,775	100,712
Other	124,145	134,453
	1,273,990	1,166,638
Fees, Permits and Licences	466,846	385,851
Utility and Trading Profits	279,467	220,293
Investment income	1,852,342	1,822,794
Other	160,945	182,182
	$11,571,980	$10,550,188

Schedule 9
Expenditure by Object

	In thousands	
	1984	1983
Salaries, wages, employment contracts and benefits	$ 1,256,375	$ 1,166,014
Travel and communication	135,269	132,994
Services	1,236,566	1,407,260
Materials and supplies	271,691	285,472
Grants to individuals, business and other levels of government	7,617,551	7,532,601
Purchase of fixed assets	294,684	589,489
Interest	431,677	327,389
Valuation adjustments	70,032	(111,600)
Other expenses	18,390	14,357
	$11,332,235	$11,343,976

Schedule 10
Operating and Capital Expenditure by Major Function

	In thousands Expenditure			
	Operating	Capital	Grants for Capital Purposes	Total
Health:				
1984	$2,338,560	$ 95,123	$ 290,463	$ 2,724,146
1983	2,113,947	86,193	237,709	2,437,849
Education:				
1984	2,040,390	14,090	194,535	2,249,015
1983	1,856,003	13,224	231,687	2,100,914
Social Services:				
1984	999,362	1,482	68	1,000,912
1983	913,802	2,644	2,004	918,450
Regional Planning and Development:				
1984	603,927	6,066	200	610,193
1983	540,789	63,169	20,680	624,638
Housing:				
1984	321,791	201,484	—	523,275
1983	123,398	351,327	—	474,725
Recreation and Culture:				
1984	107,353	64,290	26,899	198,542
1983	120,741	67,239	80,921	268,901
Environment:				
1984	59,654	115,073	6,131	180,858
1983	67,850	129,594	7,137	204,581
Resource Conservation and Industrial Development:				
1984	1,270,223	75,604	6,974	1,352,801
1983	1,742,546	70,825	14,084	1,827,455
Transportation and Utilities:				
1984	564,700	535,856	294,119	1,394,675
1983	504,720	616,663	399,440	1,520,823
Protection of Persons and Property:				
1984	361,886	3,429	3,027	368,342
1983	337,833	2,108	—	339,941
General Government:				
1984	449,508	204,436	5,500	659,444
1983	390,920	341,079	5,300	737,299
Valuation Adjustments:				
1984	70,032	—	—	70,032
1983	(111,600)	—	—	(111,600)
Total Expenditure:				
1984	$9,187,386	$1,316,933	$827,916	$11,332,235
1983	$8,600,949	$1,744,065	$998,962	$11,343,976

Schedule 11
Guarantees and Indemnities

	In thousands	
	1984	1983
Guarantees:		
Debentures:		
AEC Power Ltd.	$221,690	$237,474
Vencap Equities Alberta Ltd.	40,000	—
	261,690	237,474
Bank and Credit Union Loans:		
Corporations and individuals under various government programmes	229,013	180,927
Other:		
Federal loans	18,292	18,614
Mortgage loans	7,742	7,865
	26,034	26,479
Indemnities:		
Time Air Limited	9,000	9,000
Total	$525,737	$453,880